

Report on the

Board of Public Accountancy

Montgomery, Alabama



Department of Examiners of Public Accounts

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July 11, 2007

Senator Larry Dixon
Chairman, Sunset Committee
Alabama State House
Montgomery, AL 36130

Dear Senator Dixon:

This report was prepared to provide information for use by the Sunset Committee in conducting its review and evaluation of the operations of the Board of Public Accountancy in accordance with the *Code of Alabama 1975*, Section 41-20-9.

The report contains unaudited information obtained from the management, staff, and records of the Board of Public Accountancy, in addition to information obtained from other sources.

Please contact me if you have any questions concerning this report.

Sincerely,



Ronald L. Jones
Chief Examiner

Examiners
Christine Parish
Julie Jones Garner

CONTENTS PAGE

PROFILE	1
Purpose/Authority	1
Characteristics	1
Operations	2
Financial	5
SIGNIFICANT ITEMS	5
STATUS OF PRIOR FINDINGS	6
ORGANIZATION	6
PERSONNEL	7
PERFORMANCE CHARACTERISTICS.....	7
SMART BUDGETING.....	12
REGULATION IN CONJUNCTION WITH OTHER ENTITIES.....	16
FINANCIAL INFORMATION	18
Schedule of Fees	18
Schedule of Receipts, Disbursements, and Balances	19
Operating Receipts Vs Operating Disbursements (Chart)	20
QUESTIONNAIRES.....	21
Board Member Questionnaire.....	21
Licensee Questionnaire.....	24
Firm Questionnaire.....	28
Complainant Questionnaire.....	33
APPENDICES.....	35
SMART Budgeting Reports.....	35
Statutes.....	40
Board Members.....	60
Agency Response to Significant Items	64

PROFILE

Purpose/Authority

The Board of Public Accountancy was created by Act 997, Acts of Alabama 1973 and codified into the *Code of Alabama 1975*, Sections 34-1-1 through 34-1-22. The board is the state's licensing and regulatory agency for the practice of public accounting.

Characteristics

Members and Selection	<p>7 total members consisting of:</p> <ul style="list-style-type: none">• 5 certified public accountant (CPA) members selected by the governor from a list submitted by the Alabama Society of Certified Public Accountants.• 1 licensed public accountant (PA) member selected by the governor from recommendations submitted by the Alabama Association of Public Accountants.• 1 public member selected by the governor without the need for prerequisite nominations. <i>A public member has never been appointed. The requirement for a public member was added to the board's enabling statutes in 2003.</i> <p>All must be confirmed by the senate.</p> <p><i>Code of Alabama 1975</i>, Section 34-1-3</p>
Term	<p>4 Year staggered terms.</p> <p>Members may not serve more than two successive complete terms without a one-year lapse.</p> <p>Members continue to serve until a successor is appointed and confirmed.</p> <p><i>Code of Alabama 1975</i>, Section 34-1-3</p>

Qualifications	<p>All members must be citizens of the United States and residents of the state.</p> <p>Five must be certified public accountants licensed by the board.</p> <p>One must be a public accountant licensed by the board.</p> <p>One must be a public member, not under the jurisdiction of the board, but who is an active member of the Alabama business community with a knowledge and understanding of financial statements and transactions.</p> <p><i>Code of Alabama 1975</i>, Section 34-1-3 (a)</p>
Racial Representation	<p>No specific statutory requirement.</p> <p>No racial minority members currently serve on the board.</p>
Geographical Representation	No statutory requirement.
Consumer Representation	<p>One public member (position vacant)</p> <p><i>Code of Alabama 1975</i>, Section 34-1-3 (a)</p>
Other Representation	No statutory requirement
Compensation	<p>None.</p> <p>Board members are paid the same travel allowances paid to state employees for each day actively engaged in official board business.</p> <p><i>Code of Alabama 1975</i>, Section 34-1-3</p>
<u>Operations</u>	
Administrator	<p>Joseph Lamar Harris- Executive Director</p> <p>The executive director is selected and serves at the pleasure of the board. His current annual salary is \$144,696, as determined by the board.</p> <p><i>Code of Alabama 1975</i>, Section 34-1-3 (l)</p>

Location	RSA Plaza, Suite 236 770 Washington Avenue Montgomery, AL 36130
Examinations	<p>Certified Public Accountant (CPA) Examination consisting of the National Association of State Boards of Accountancy's computer-based examination.</p> <p>See the Examination section of this report for further explanation of the examination process and statistics.</p> <p><i>Code of Alabama 1975</i>, Section 34-1-4</p>
Renewals	<p>All permits to practice and certificate registrations expire annually on September 30, and must be renewed by December 31 or incur a late fee.</p> <p><i>Code of Alabama 1975</i>, Section 34-1-11</p> <p>On-line renewal is available.</p>
Licensees	<p>10,775 as of September 30, 2006</p> <ul style="list-style-type: none"> • 8,418 CPAs and PAs • 793 Retired CPAs and PAs • 1,101 Firms • <u>463</u> Temporary Annual Permits (good for one year) <p>10,775 Total licensees/permittees</p>
Reciprocity	<p>Yes.</p> <p>Certified public accountants (CPA's) from other jurisdictions transferring into Alabama are required to obtain an Alabama reciprocal certificate within 24 months from the date of transfer. The reciprocal application fee is \$100.</p> <p>Temporary annual permits may be issued to holders of valid and unrevoked certificates as certified public accountants under the laws of other states and who are not residents of Alabama, in order to allow such persons to fulfill specific accounting engagements or employment under contracts entered into outside of Alabama. The permit fee is \$35.</p> <p><i>Code of Alabama 1975</i>, Section 34-1-6 (a) (4) <i>Code of Alabama 1975</i>, Section 34-1-7</p>

Continuing Education	<p>Annual continuing education is required to renew an active permit to practice. Continuing education hours are set by the board. Currently, the board requires 40 hours annually.</p> <p><i>Code of Alabama 1975</i>, Section 34-1-11</p>
Employees	<p>Five at-will employees (non merit system – no contract)</p> <p>By law, employees receive the same benefits as merit system employees, including the executive director. Salaries are set by the board.</p> <p><i>Code of Alabama 1975</i>, Section 34-1-3(l)</p>
Legal Counsel	William Little, Assistant Attorney General Attorney General's Office.
Subpoena Power	<p>Yes, records and persons.</p> <p><i>Code of Alabama 1975</i>, Section 34-1-14 (e)</p>
Internet Presence	<p>www.asbpa.state.al.us The board's web site contains:</p> <ul style="list-style-type: none"> • Contact Information • Website Statements/Policies • Espanol • Translation Disclaimer • Website Content Disclaimer • Search for Licensee • Reciprocity • On-line Registration • Temporary Annual Permits Information • Non-licensee Owners Information • Statutory Authority • Administrative Rules • Application Forms • A schedule of examinations for the current year • A listing of all current board members • Listing of upcoming scheduled board meetings and events • Links to state and national associations
Attended Board Member Training	<p>1 Board Member</p> <p>2 Board Employees- Executive Director, CFO/Investigator</p>

<u>Financial</u>	
Source of Funds	Fees and penalties
State Treasury	Yes, Special Revenue Fund 0352
Unused Funds	All unused funds remain in the board's special revenue fund for subsequent use by the board. <i>Code of Alabama 1975, 34-1-22</i>

SIGNIFICANT ITEMS

1. **Four of five responding board members responding to a questionnaire stated that the board is not adequately staffed.** Responses indicate that the board needs more personnel involved in the complaint/discipline process. According to information provided by the board, complaints are not always immediately addressed upon receipt. Analysis of dates of receipt and dates of complainant notification show that the average time from receipt of complaint to acknowledgement is 49 days.
2. **Seven of fifty-seven firms responding to a questionnaire mentioned the lack of talent, lack of accounting graduates or new CPAs, staff retention, and personnel shortages as a significant issue facing the profession.** Five of forty-four responding licensees also considered this a significant issue. In professional magazine articles, survey responses indicate that staffing is a major issue globally. The American Institute of Certified Public Accounts indicated that nearly 75% of its members are reaching retirement age, while the increase of accounting students nationally has only increased 19% from 2000 to 2004. The shortage comes at a time when demands for the services are increasingly spurred by increased financial accounting controls. The U.S. Department of Labor's "2006-2007 Occupational Outlook Handbook" indicates the profession will continue to experience much growth through at least 2014.
3. **The *Code of Alabama 1975*, Section 34-1-4(a)(1) requires that the board issue certificates only to a person, "Who is a citizen of the United States or has duly declared his or her intent to become a citizen."** This provision may be unconstitutional. The United States Supreme Court has ruled that it is unconstitutional to refuse professional licensing based solely upon lack of United States citizenship. See Virginia v Friedman, 487 U.S.59 (1988), Examining Board v Flores de Otero, 428 U.S.572 (1976), In Re Griffiths, 413 U.S.717 (1973). Opinions of the Attorney General No. 83-010 and 95-092 also address this issue.

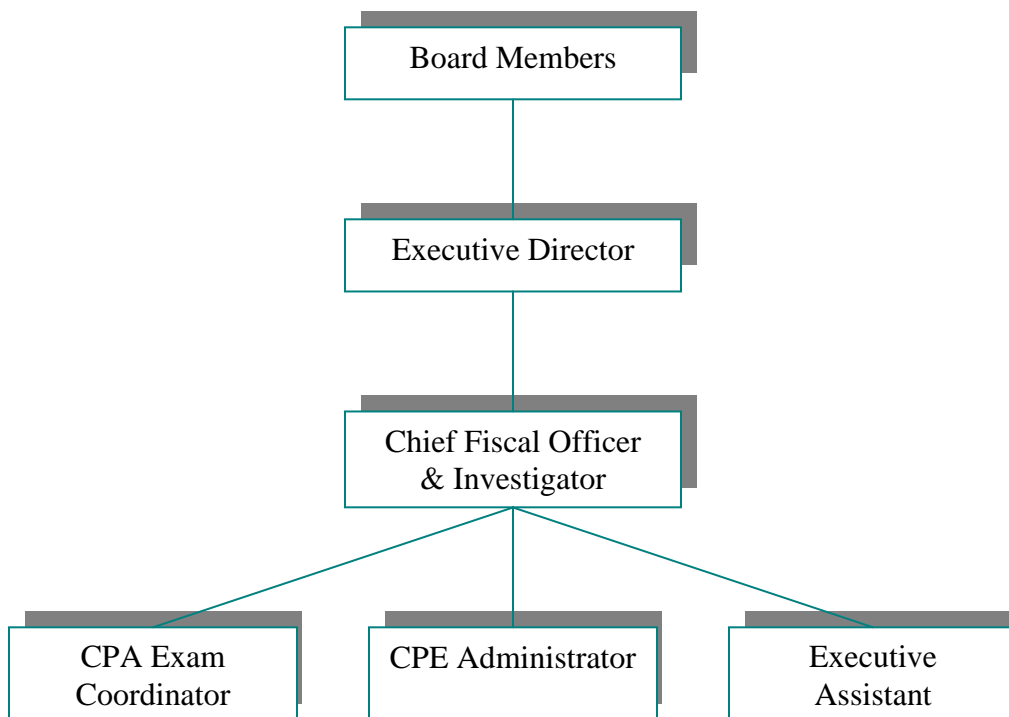
STATUS OF PRIOR FINDINGS

All prior findings have been resolved, except the following significant items from the 2004 Sunset review.

1. **The public (non-licensed) position on the board has not been filled since the position was created in 2003.** Act 95-516 provides for the position to be filled by a member of the public who must not be actively licensed by the board and who must be an active and reputable member of the Alabama business community who must possess a knowledge and understanding of financial transactions and financial statements. Act 2003-393, effective October 1, 2003, requires that the Alabama Society of Certified Public Accountants (ASCPA) nominate candidates for appointment to the public member position. The act also allows the board to nominate candidates if the ASCPA is unable to do so.

Current Status – The position remains unfilled and un-nominated. The examiner discussed the issue with the executive director. The executive director stated the board had not considered nominating candidates.

ORGANIZATION



PERSONNEL

The board employs an executive director and four (4) at-will employees (non-merit system, no contract). William Little from the office of the Attorney General provides legal services for the board. The board sets the salary of the executive director and the four (4) at will employees, based on a compensation plan recommended by the executive director.

The *Code of Alabama 1975*, Section 34-1-3 provides that, "The executive director and other employees of the board shall not be subject to or governed by the provisions of the state Merit System law but shall be entitled to all benefits accruing to Merit System employees including, but not limited to, the right to accumulate leave, participate in the Employees' Retirement System, and participate in the State Employees' Health Insurance Plan."

Schedule of Employees

<u>Classification</u>	<u>Number of Employees</u>	<u>Race</u>	<u>Gender</u>	<u>Merit System Classification*</u>
Executive Director	1	White	Male	Non-merit
Chief Fiscal Officer & Investigator	1	White	Female	Non-merit
CPA Exam Coordinator	1	White	Female	Non-merit
CPE Administrator	1	White	Female	Non-merit
Executive Assistant	<u>1</u>	White	Female	Non-merit
Total	5	White	Female	Non-merit
*Act 2003-393 Allowed the employees of the Board of Accountancy to withdraw from the State Merit System but retain employee health and retirement benefits.				

PERFORMANCE CHARACTERISTICS

Number of Persons per Licensee in Alabama and surrounding States

	Population (Estimated)	Certificate Holders *	Persons Per Certificate Holder
Alabama	4,599,030	9,211	499
Florida	18,089,888	32,549	556
Georgia	9,363,941	18,828	498
Mississippi	2,910,540	5,022	580
Tennessee	6,038,803	12,283	492

As of September 30, 2006

* Does not include firms or temporary annual permit holders

Number of Licensees per Employee (9/30/2006) - 2155

Operating Disbursements per Licensee (2006 fiscal year) - \$ 81.05

Notification to Licensees of Board decisions to Amend Administrative Rules

The board complied with notification procedures prescribed in the Administrative Procedure Act, which includes publication of proposed rules in the Administrative Monthly, and public hearings on proposed rules. Proposed rules and/or proposed changes are posted on the board's website on the Accountancy Rules webpage. Licensees are not specifically notified of proposed changes.

Examination Process

The board has utilized a computer-based examination since April 2004. The National Association of State Boards of Accountancy (NASBA) provides and grades the examinations. Each part of the examination may be taken individually and in any order. Candidates must pass all four sections of the examination within an eighteen-month period, which begins when any examination section is passed. Credit earned for a passed section is lost after 18 months. Examinations are scheduled during the two testing months of each of the following examination windows.

Examination Windows		
Quarter	Testing Months	Maintenance Month
January through March	January – February	March
April through June	April – May	June
July through September	July – August	September
October through December	October – November	December

Comparison of National Percent Pass to Alabama Percent Pass of the CPA Exam (Computerized)

January-February 2007 CPA Examination Statistics		
SECTION	ALABAMA PERCENT PASS	NATIONAL PERCENT PASS
Audit	55.17%	44.44%
Business Environment	31.37%	43.84%
Financial Accounting	45.1%	43.65%
Regulation	28.24%	42.02%
October-November 2006 CPA Examination Statistics		
Audit	41.88%	44.27%
Business Environment	31.79%	43.21%
Financial Accounting	36.81%	44.78%
Regulation	45.95%	41.96%

July-August 2006 CPA Examination Statistics		
Auditing	48.98%	46.70%
Business Environment	38.16%	46.27%
Financial Accounting	36.67%	47.31%
Regulation	40.16%	45.19%
April-May 2006 CPA Examination Statistics		
Audit	45.57%	43.52%
Business Environment	53.79%	43.36%
Financial Accounting	44.44%	42.88%
Regulation	36.71%	41.99%
January-February 2006 CPA Examination Statistics		
Auditing	52.54%	40.59%
Business Environment	31.18%	41.88%
Financial Accounting	43.42%	42.19%
Regulation	58.41%	39.26%
October-November 2005 CPA Examination Statistics		
Auditing	35.45%	42.94%
Business Environment	32.88%	41.82%
Financial Accounting	39.71%	42.17%
Regulation	38.36%	39.93%

Complaints

According to the board's staff, the normal process takes approximately six months from the time an initial complaint is filed until resolution. After a complaint is filed, it is assigned to a committee composed of the executive director, a board consultant (the board does not currently have a consultant), and the board member who resides in the area from which the complaint is filed. If the complaint is found to have probable cause for the board to take action, it is presented to the board. Both parties are notified when the complaint is closed.

Complaint Process

<u>Initial Documentation</u>	<p>The board may initiate proceedings on its own initiative or when a complaint is submitted in writing by a third party. The complaint should detail the alleged violation and present evidence of when, where, and how a violation occurred. The board does not accept anonymous complaints.</p> <p>An examination of complaint files indicated that complaints are being properly documented, that closed files are complete and adequate, and that the ability to monitor open complaints is available to the board.</p> <p><u>Administrative Code, Section 30-X-7-.01</u></p>
<u>Complaint Notification</u>	<p>Upon receipt of a written complaint, the complainant and the accused are notified by the board concerning the receipt of the complaint and the allegations being made.</p>
<u>Nature of Complaints</u>	<p>Most complaints consist of:</p> <ul style="list-style-type: none">• Not completing financial returns in a timely manner;• Sub-standard work;• Unethical behavior;• Violation of Practice Act
<u>Informal Disciplinary Procedure</u>	<p>An investigative committee consisting of a board consultant, the executive officer, and one member of the board investigates the information or complaint to determine whether there is probable cause for disciplinary proceedings. The investigative committee may enter into informal settlements with the licensee provided the board ratifies the settlement. Upon completion of the investigation, the investigative committee shall determine whether probable cause exists for the board to issue a summons and complaint and initiate a formal disciplinary proceeding. If the investigative committee determines at this</p>

	<p>time that no probable cause exists, the proceedings will terminate at that point.</p> <p><u>Administrative Code, Section 30-X-7-.02</u></p>
<u>Formal Hearings</u>	<p>Any board member who has a possible conflict of interest (such as serving on the investigative committee) in any matters resulting in hearings before the board does not participate in the hearing.</p> <p>If the investigative committee finds that probable cause exists, the board may appoint a hearing officer at disciplinary hearings. If a hearing officer is appointed, the hearing officer is required to assist the board in presiding at the disciplinary proceeding, and in ruling on all questions of evidence and procedure.</p> <p><u>Administrative Code, Section 30-X-7-.04, .09 (1)(a)</u></p>
<u>Resolution/Disposition</u>	<p>The board issues an order within 30 days of the date of the final hearing which includes findings of fact, official notice taken, and conclusions of law, separately stated.</p> <p>Respondent is given a copy of the order by certified mail, return receipt requested, and a copy is mailed first class to each attorney of record.</p> <p><u>Administrative Code, Section 30-X-7-.09 (2)</u></p>

Complaints of the Last Four Years

<u>Fiscal Year</u>	<u>Complaints</u>	<u>Resolved</u>	<u>Open</u>
2002-2003	13	12	1
2003-2004	8	6	2
2004-2005	11	11	0
2005-2006	6	2	4
2006-2007*	10	1	6

* through April 30, 2007

The board's executive director stated that the open cases are currently under investigation by the respective investigative committees. No further explanation was given. The median time for resolution of closed cases is 69.4 days. The longest time between receipt of complaint and its resolution is 5 years and 25 days. The shortest time is 1 month and 23 days. Resolution of the complaint can be slow due to time constraints of the licensee involved and/or court case(s). The average length of time from receipt of the complaint to acknowledgement of the complaint to the complainant is 49 days.

SMART BUDGETING

Acts of Alabama, 2004-50 (HJR89) states, "That all state agencies and entities receiving legislative appropriations are requested to submit to the Joint Legislative Budget Committee budget proposals in performance based budget language and form. This request is applicable for proposals for the 2005-2006 fiscal year to be submitted to the 2005 Regular Session and for each succeeding fiscal year. The Director of Finance is requested to inform each public agency or entity of our desires concerning this matter."

To comply with this request, the Director of Finance implemented a system of budgeting that requires each agency to report its performance, the system to be named SMART, an acronym for Specific, Measurable, Accountable, Responsive, and Transparent.

As a part of the SMART Budgeting system, each agency is required to submit its goals and objectives to the Department of Finance - the goals to be stated as long-term, multi-year targets which are to be achieved through accomplishment of stated objectives, which are single-year targets. In order to report progress, the goals and objectives must necessarily be designed so that the agency can measure annual progress toward their achievement.

The SMART Budgeting system includes an Operations Plan and a Quarterly Performance Report. The performance report presents information on achievement of an agency's annual objectives, and is the SMART Budgeting report that presents performance information. If an agency has not included at least one objective for each goal, performance relative to that goal will not be reported. For the 2006 fiscal year, each licensing/regulatory agency was required to have at least one goal and one or more objectives directly related to the goal. Additional annual objectives were allowed without corresponding goals.

Among agencies that were not accustomed to reporting performance, we found confusion as to how to design the goals and objectives and how to differentiate between goals and objectives. Routinely we found goals with no directly related objectives. Both goals and objectives were often too abstract to be measurable, and progress toward their achievement could not be meaningfully reported. The Department of Finance is aware of these deficiencies and is taking remedial steps.

In these respects, the Board of Public Accountancy was no exception. Some goals were not accompanied by directly related objectives. Some goals and objectives were abstract;

therefore, progress toward their achievement could not be measured and reported. The board's goals and objectives for the 2007 and 2008 fiscal years are the same.

The board submitted a 2006 Operations Plan and the quarterly data for the SMART Quarterly Performance Report and subsequent reports and information, as required. The board's performance goals and objectives for the 2006, 2007, and 2008 fiscal years and the examiner's comments are presented in the following tables.

2006 GOALS	COMMENTS
1. To oversee the uniform CPA examination process	The goal is only a statement of normal work to be done and does not have a performance target. There is no directly-related annual objective. Consequently, performance will not be reported.
2. To issue CPA certificates	The goal is only a statement of normal work to be done and does not have a performance target. There is no directly-related annual objective. Consequently, performance will not be reported.
3. To administer the annual registration of CPAs, PAs, and NLOs	The goal is only a statement of normal work to be done and does not have a performance target. There is no directly-related annual objective. Consequently, performance will not be reported.
4. To investigate complaints timely (within 6 months)	The goal is appropriate. Progress toward achievement of this goal is measurable, and there is a related annual objective, but, as stated, it is not directly related (see objective #3). Consequently, progress toward achievement of this goal was not reported.
5. To oversee the continuing professional education process	The goal is only a statement of normal work to be done and does not have a performance target. There is no directly-related annual objective. Consequently, performance will not be reported.

2006 OBJECTIVES	REPORTED	COMMENTS
1. Decrease Executive Director's time spent on investigations	8hr/investigation	This objective does not show performance improvement in the area of investigations. It merely moves the workload from one person to another. Reported data presents a number of hours per investigation but does not indicate whether a decrease occurred.
2. Increase CFO's time spent on investigations	2hr/investigation	This objective does not show agency performance improvement in the area of investigations. It merely moves the workload from one person to another. Reported data presents a number of hours per investigation but does not indicate whether an increase occurred.
3. Increase resolution of complaints in the same fiscal year received (as a per cent resolved)	.17	There is no benchmark stated in the objective from which to judge whether an increase in resolution during the same fiscal year occurred. The performance report does not show whether progress occurred.

2007

2007 GOALS	COMMENTS
G1: To investigate complaints of substandard work	The goal is only a statement of normal work to be done and does not have a performance target. There is no directly-related annual objective. Consequently, performance will not be reported.
G2: To oversee the continuing professional education (CPE) process	The goal is only a statement of normal work to be done and does not have a performance target. There is no directly-related annual objective. Consequently, performance will not be reported.
G3: To oversee the uniform CPA examination process	The goal is only a statement of normal work to be done and does not have a performance target. There is no directly-related annual objective. Consequently, performance will not be reported.

G4: To administer the annual registration of CPAs, PAs, NLOs and Firms	The goal is only a statement of normal work to be done and does not have a performance target. There is no directly-related annual objective. Consequently, performance will not be reported.
G5: To issue CPA certificates	The goal is only a statement of normal work to be done and does not have a performance target. There is no directly-related annual objective. Consequently, performance will not be reported.
2007 OBJECTIVES	
To increase percentage of on-line licensee registrations	There is no baseline percentage stated from which to determine whether the percentage increased. The performance report will not show whether progress occurred.
To implement on-line registration of firms.	This is the first year of implementation; therefore, progress toward achievement is measurable. The target stated on the projected performance report is 25%. However, the target is not presented on the final performance report. Since the performance target is not stated in the objective wording, the performance report will not contain a performance target. The final performance report will not report performance for this objective relative to a target.

2008

2008 GOALS	COMMENTS
G1: To oversee the uniform CPA examination process, issue CPA certificates, administer the annual registrations of CPAs, PA, NLOs, and firms and oversee the continuing education process	This goal is only a statement of the agency's required work and does not include a measurable performance target. There is no accompanying annual objective to show progress. Consequently, progress toward achievement of this goal will not be reported.
G2: To administer the disciplinary process of CPAs, PAs, NLOs, and firms	This goal is only a statement of the agency's required work and does not include a measurable performance target. There is no directly related objective. Consequently, progress toward achievement of this objective will not be reported.

2008 OBJECTIVES	
To ensure that qualified individuals are certified and/or licensed to practice public accountancy in the state of Alabama	This objective is only a statement of the agency's required work and does not include a measurable performance target. Consequently, the performance report will not show performance,
To decrease Executive Director's time spent on Investigations	This objective does not show agency performance improvement in the area of investigations. It merely moves the workload from one person to another.
To increase CFO/Investigator's time spent on investigations	This objective does not show agency performance improvement in the area of investigations. It merely moves the workload from one person to another

REGULATION IN CONJUNCTION WITH OTHER ENTITIES

There is no direct overlapping jurisdiction with state or federal agencies.

The American Institute of Certified Public Accountants (AICPA), which is the national professional association for CPAs, sets auditing standards for non-public entities; ethical standards for the profession; responsibilities for tax practice; quality control standards for CPA firms; business valuation standards; personal financial specialists standards; and sets the required number of hours of continuing professional education (jointly with NASBA).

The AICPA also issues the following specialty credentials: PFS – Personal Financial Specialist; ABV – Accredited in Business Valuation; and CITP – Certified Information Technology Professional.

The AICPA creates, administers and grades the Uniform CPA Examination in cooperation and with oversight of NASBA. The AICPA collaborates with FASB in setting GAAP (Generally Accepted Accounting Principles). The AICPA does issue guidance on the application of GAAP, typically through the Accounting Standards Executive Committee (AcSEC). (web research\CPA profession overview.doc)

The National Association of State Boards of Accountancy (NASBA) is a point of convergence of the 55 boards of accountancy, which includes the 50 states, Washington, DC, Puerto Rico, Guam, the U.S. Virgin Islands, and Marianas Islands. The NASBA administers a registry of CPE (continuing professional education) providers and provides oversight of the CPA exam process.

The Public Company Accounting Oversight Board (PCAOB) was created by the federal Sarbanes-Oxley Act of 2002. The board writes auditing standards for public companies; inspects and regulates firms that audit public companies; and is independent of, but is overseen by the federal Securities & Exchange Commission (SEC).

The Financial Accounting Standards Board (FASB) promulgates generally accepted accounting principles (GAAP) and is independent of, but is overseen by the SEC.

The Alabama Society of Certified Public Accountants (ASCPA) submits names to the Governor for membership on the board for all positions on the board. The ASCPA's mission is to promote and support the interests of Alabama Certified Public Accountants. The ASCPA has an Education Foundation and four chapters. The Foundation provides scholarships to students with a declared accounting major who meet certain requirements. The requirements are as follows:

- Have completed intermediate accounting courses
- Have a "B" average in all accounting courses
- Have a "B" average overall
- Have at least one full year left in school

Scholarships are also granted through the four chapters of the ASCPA to the following colleges:

- Birmingham Chapter
 - Birmingham Southern University
 - The University of Montevallo
 - Samford University
 - The University of Alabama at Birmingham
- Mobile Chapter
 - University of Mobile
 - Spring Hill College
 - University of South Alabama
- Montgomery Chapter
 - Auburn University Montgomery
 - Huntingdon College
 - Alabama State University
- Tuscaloosa Chapter
 - The University of Alabama

One member of the board serves on a committee of the ASCPA. Governor Riley appointed Kenneth R. Odom to the board in March of 2007, who was confirmed by the Senate on May 31, 2007. Mr. Odom chairs the Professional Ethics Committee of the ASCPA.

FINANCIAL INFORMATION

Schedule of Fees

Fee Description	Fee Assessed	<i>Code of Alabama 1975, Section</i>
Application for Initial Examination	\$100.00	34-1-4 (c)
Application for Re-examination	\$50.00	34-1-4 (c)
Active Certification	\$35.00	34-1-11 (a)
Inactive Certification	\$25.00	34-1-11 (b) (2)
Reinstatement Fee	\$100.00 max fee	34-1-11 (d)
Late Renewal Penalty	\$100.00 after 12/31 \$500.00 after 03/31	34-1-11 (a)
Reciprocity Application	\$100.00	34-1-4 (e)
Temporary Non-Resident	\$35.00	34-1-7
Transfer of Grades	\$100.00	34-1-3 (g)
Firm Registration	\$35.00	34-1-11 (a)
Certificate Replacement	\$10.00	Cost Recovery
Mailing of Certificate	\$10.00	Cost Recovery
Mailing Lists of Candidates	\$35.00	Cost Recovery
Administrative Fines	Not to exceed \$1,000.00 per violation	34-1-12 (b)
Bad check fee	\$30	8-8-15
Directory (annual register)	\$20	34-1-3 (k)

Schedule of Receipts, Disbursements, and Balances

	2005-06	2004-05	2003-04	2002-03
<u>Receipts</u>				
License Fees	\$ 455,790.65	\$ 424,592.49	\$ 397,225.83	\$ 381,523.21
Examination Fees	315,210.00	246,645.00	167,830.00	110,495.00
Miscellaneous not classified (1)	4,490.00	5,905.47	4,570.00	2,020.00
Penalties	85,445.00	102,160.00	70,035.00	65,663.00
Sale of Salvage Equipment	109.60		4,800.00	
Total	861,045.25	779,302.96	644,460.83	559,701.21
<u>Disbursements</u>				
Personnel Costs	341,736.00	278,207.76	245,807.18	236,565.92
Employee Benefits	83,878.46	67,818.39	50,839.06	48,695.31
In-State-Travel (2)	3,574.49	3,361.61	5,874.61	6,768.80
Out-of-State Travel (3)	25,604.27	17,562.04	22,769.12	12,776.95
Repairs and Maintenance	120.00	367.50	-	140.00
Rentals and Leases	94,046.20	93,019.30	104,406.57	107,877.48
Utilities and Communications	21,463.25	16,642.37	17,034.98	45,498.25
Professional Services	13,600.10	16,000.79	16,071.34	12,774.74
Supplies, Materials and Operating Expenses (4)	288,418.20	255,529.99	121,317.11	163,629.53
Transportation Equipment Operations	925.01	924.86	694.27	852.60
Equipment Purchases	-	14,030.38	21,005.00	-
Total	873,365.98	763,464.99	605,819.24	635,579.58
Excess (Deficiency) of Receipts over Disbursements	(12,320.73)	15,837.97	38,641.59	(75,878.37)
Cash Balances at Beginning of Year	1,206,320.86	1,190,482.89	1,151,841.30	1,227,719.67
Cash Balances at End of Year	1,194,000.13	1,206,320.86	1,190,482.89	1,151,841.30
Reserved for Unpaid Obligations	(89,312.68)	(32,698.72)	(121,396.24)	(24,385.50)
Unreserved Cash Balances at End of Year	\$ 1,104,687.45	\$ 1,173,622.14	\$ 1,069,086.65	\$ 1,127,455.80

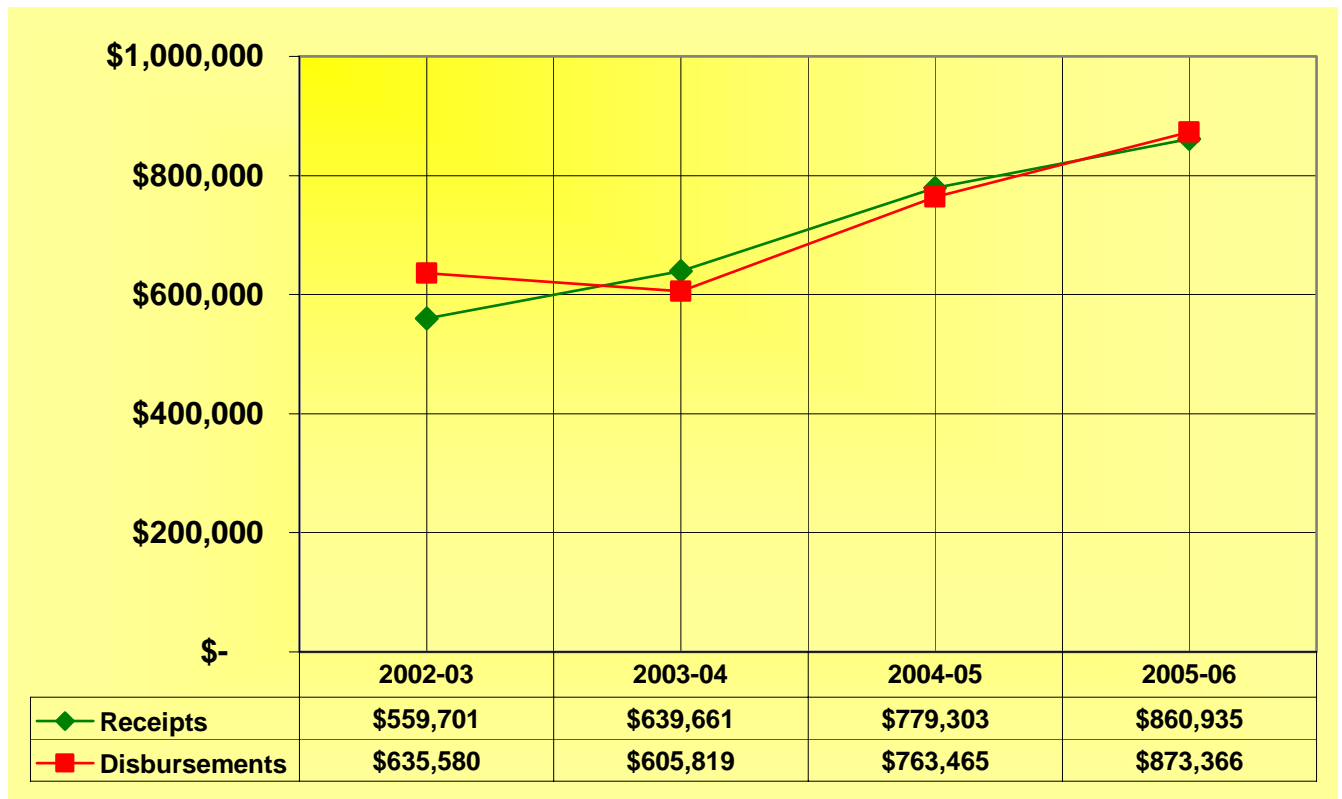
(1) Miscellaneous not classified receipts consist of mailing fees for processing and mailing CPA certificates and fees from sales of the annual register.

(2) In-state travel decreased as a result of the implementing the computerized CPA examination during FY 2004 (first computerized exam administered April 2004).

(3) According to board staff, out-of-state travel costs fluctuates with the cost of mileage, air fares, hotels, and location of meetings.

(4) The increase in cost of the examinations caused the Supplies, Materials and Operating Expenses to increase substantially. The paper-based exam cost \$190 for all four parts. The computer-based exam cost in 2006 was \$790 for all four parts. The cost will increase in 2007 to \$870 for all four parts.

Operating Receipts Vs Operating Disbursements (Chart)



Sales of salvaged equipment not included.

QUESTIONNAIRES

Board Member Questionnaire

We surveyed six board members of which five responded.

1. What is the most significant issues currently facing the Alabama State Board of Public Accountancy and how is the Alabama State Board of Public Accountancy addressing these issues?

Respondent 1: “The test for applicants on computer has problems.”

Respondent 2: “The national level is pushing more uniformity on all states rules to allow CPA’s to cross state lines to do work with less regulation.”

Respondent 3: “(A) Possible requirement & licensees to obtain ETHICS CPE
(B) Improved mobility among states for CPAs”

Respondent 4: “Key issues for the Board include disposition of current disciplinary cases, consideration of annual ethics CPE requirement and working with other Boards of Accountancy to provide for appropriate consideration and mutual acceptance of primary licensing State education requirements where deemed similar to Alabama.”

Respondent 5: “One issue is whether licensees should obtain annual ethics continuing education. We are studying what other states are doing before we proceed.”

2. What changes to the Alabama State Board of Public Accountancy laws are needed?

Respondent 1: “To pay board members for their time.”

Respondent 2: “None at this time. May need to change if adopt changes to UAA (National level proposals).”

Respondent 3: “(A) Possible change affecting improved mobility among states for CPAs”

Respondent 4: “The current law changes are currently necessary.”

Respondent 5: “None of which I am aware.”

3. Is the Alabama State Board of Public Accountancy adequately funded?

5 Yes 0 No 0 Unknown 0 No Opinion

Respondent 3: “My answer is predicated upon the possibility of one or more major disciplinary cases.”

Respondent 4: “With the significant expansion of disciplinary issues and activity, I believe the Board may need a full time investigator to address these issues.”

Respondent 5: “But we may need more funding in the future if disciplinary issues continue to increase.”

4. Is the Alabama State Board of Public Accountancy adequately staffed?

1 Yes 4 No 0 Unknown 0 No Opinion

Respondent 2: “Need to hire one more to do discipline cases.”

Respondent 3: “We have been operating without our Board consultant. Disciplinary cases could create a staffing problem.”

Respondent 4: “The Board recently lost its part-time consultant and this position needs to be filled promptly. If disciplinary activity continues to accelerate the Board may also need a full time investigator.”

Respondent 5: “We need an investigator with experience in auditing and tax matters.”

5. What is the purpose of your fiscal year end balance of unobligated funds?

Respondent 1: “To determine how the following year can be funded and applied.”

Respondent 2: “Need to have reserves because of unknown in fees Board has to pay on CPA exam because we are constantly charged more and not able to pass it on thru to candidates. Also need to hire one more person to work discipline cases.”

Respondent 3: “Reserves for operations
(a) have accrued liability to CPA exam vendors
(b) unknown amounts for disciplinary cases”

Respondent 4: “The Board maintains a reserve to provide for expenses associated with CPA examination changes, the cost of major disciplinary action/cases and a reasonable operating reserve.”

Respondent 5: “We have a reserve for unbilled CPA examination changes from the AICPA & NASBA (timely difference). We have a reserve for office operations.”

Licensee Questionnaire

We surveyed one hundred licensees; of which forty-four responded.

1. Do you think regulation of your profession by the Alabama State Board of Public Accountancy is necessary to protect public welfare?

40 Yes 1 No 0 Unknown 3 No Opinion

2. Do you think any of the Alabama State Board of Public Accountancy laws, rules, and policies are an unnecessary restriction on the practice of your profession?

3 Yes 40 No 0 Unknown 1 No Opinion

Respondent 13: "Too much CPE."

3. Do you think any of the Alabama State Board of Public Accountancy requirements are irrelevant to the competent practice of your profession?

7 Yes 33 No 3 Unknown 1 No Opinion

Respondent 5: "The limitation of CPE online to 20 hours a year."

Respondent 13: "Too much CPE."

Respondent 43: "There is no need to require that professionals in tax or industry have 8 hours of accounting and auditing education per year. This is a waste of a work day and \$100-\$200 for me every year."

4. Are you adequately informed by the Alabama State Board of Public Accountancy of changes to and interpretations of Alabama State Board of Public Accountancy positions, policies, rules and laws?

35 Yes 3 No 3 Unknown 3 No Opinion

5. Has the Alabama State Board of Public Accountancy performed your licensing and renewal in a timely manner?

43 Yes 0 No 1 No Opinion

6. Do you consider mandatory continuing education necessary for competent practice?

42 Yes 2 No 0 Unknown 0 No Opinion

Respondent 13: "I think relevant work experience, such as public accounting, should be a sufficient substitute to traditional CPE."

Respondent 43: "However, I think 40 hours per year is excessive. Physicians are only required to have 20 hours per year. In addition, there should be different requirements for people in industry than those in public practice."

7. Has the Alabama State Board of Public Accountancy approved sufficient providers of continuing education to ensure your reasonable access to necessary continuing education hours?

41 Yes 1 No 1 Unknown 1 No Opinion

Respondent 43: "The cost of the AL Society Programs is ridiculous and self study is limited to 20 hours per year."

8. What do you think is the most significant issue(s) currently facing your profession in Alabama and what is the Alabama State Board of Public Accountancy doing to address the issue(s)?

Respondent 1: "Image- not sure what the Board is doing to address it."

Respondent 2: "The most significant issue is regulation overload on a nationwide basis. I do not think it is a part of the state board's responsibility to influence this."

Respondent 3: "Fraud. Not doing too much."

Respondent 4: "Standards Overload. Too many standards for small companies. We need one set of standards for large public companies and one set for small companies."

Respondent 5: "Our profession is constantly changing. CPE is very important to maintaining our profession. More CPE in Mobile or the surrounding area would be helpful. Also, allowing more than 20 hours online most courses are 8 hours and you end up losing 4 hours."

Respondent 8: "Standards overload- especially in Governmental Auditing- work is being done to reduce it for smaller Governments."

Respondent 11: "Not sure."

Respondent 12: “Lack of quality graduates entering public accounting.”

Respondent 15: “Our regulation with regards to Sarbanes Oxley legislation. The State Board has provided Education through various CPE classes.”

Respondent 17: “Don’t practice public acct. so no opinion.”

Respondent 18: “Promotion of new students entering the profession. I believe the ASBPA is campaigning with many functions very well.”

Respondent 20: “Accounting standard and principles changes are too frequent and complicated. The changes don’t apply to small company reporting.”

Respondent 26: “(New hires/younger staff) Qualified employees and their attitude toward work. Not aware of the state Board doing anything in this area.”

Respondent 27: “-Ethics. The perception of the accounting field has taken a down turn b/c of corporate fraud. The accounting profession has lost its integrity in the public eye, which is not a fair reflection of all accountants. It is important that the public understand that there are only a small # of rogue accountants.”

Respondent 32: “The Peer Review System Needs Improvement. I Am Unaware If The Board Is Looking At Ways To Address Any Improvement To The Peer Review Procedures Or Firms That Perform Peer Reviews. When We Review W/P’s of other firms I Do Not Know How They Could Pass a Peer Review But They Do.”

Respondent 36: “Lack of students to undertake CPA licensing requirements.”

Respondent 38: “New, separate guidance for private companies compared to Public ones. ASBPA is helping participate in the study being performed at the FASB.”

Respondent 40: “Shortage of Accounting graduates; I am not sure how this is being addressed by the State Board, or if it can be addressed by the Board.”

9. Do you think the Alabama State Board of Public Accountancy and its staff are satisfactorily performing their duties?

38 Yes 0 No 2 Unknown 4 No Opinion

10. Has any member of the Alabama State Board of Public Accountancy or its staff asked for money (other than normal fees), services, or any other thing of value in return for performing a Alabama State Board of Public Accountancy service for you?

1 Yes

43 No

Firm Questionnaire

We surveyed one hundred firms; of which fifty-seven responded.

1. Do you think regulation of your profession by the Alabama State Board of Public Accountancy is necessary to protect public welfare?

55 Yes 2 No 0 Unknown 0 No Opinion

Respondent 5: Also No. "Much regulation is already in place from the American Institute of CPA's & Alabama Society of CPA's."

Respondent 27: "Absolutely"

Respondent 56: "Yes, there remain those who purport to provide accounting services who are under qualified and who otherwise fail to provide quality service to clients. The Board must be in a position to help protect against these individuals."

2. Do you think any of the Alabama State Board of Public Accountancy laws, rules, and policies are an unnecessary restriction on the practice of your profession?

3 Yes 50 No 3 Unknown 1 No Opinion

Respondent 3: "Normal banking with banking clients."

Respondent 27: "Their rules & regs are reasonable for the most part."

Respondent 37: "However, would like to see more self-study CPE allowed as it is as, or more, effective than other CPE formats and better fits our needs."

Respondent 51: "Peer review could be relaxed somewhat."

Respondent 56: "The rules and policies of the Board are designed to help maintain the quality of accounting services provided by licensees."

3. Do you think any of the Alabama State Board of Public Accountancy requirements are irrelevant to the competent practice of your profession?

6 Yes 45 No 5 Unknown 0 No Opinion 1 No Answer

Respondent 51: "See "2" above."

Respondent 56: "Licensure and the requirements to maintain licenses are reasonable."

4. Are you adequately informed by the Alabama State Board of Public Accountancy of changes to and interpretations of Alabama State Board of Public Accountancy positions, policies, rules and laws?

45 Yes 7 No 4 Unknown 1 No Opinion

Respondent 27: "Most of the time."

Respondent 32: "AL State Society of CPA's provides most information in a timely manner."

Respondent 56: "The Board publishes to its licensees those items necessary. The ASCPA assists the Board by providing space in their newsletter for information from the Board."

5. Has the Alabama State Board of Public Accountancy performed your licensing and renewal in a timely manner?

57 Yes 0 No 0 No Opinion

Respondent 56: "Renewal and licensure is a reasonable and appropriate process."

6. Has the Alabama State Board of Public Accountancy approved sufficient providers of continuing education to ensure your reasonable access to necessary continuing education hours?

57 Yes 0 No 0 Unknown 0 No Opinion

Respondent 56: "There are many providers of CPE at reasonable cost."

7. What do you think is the most significant issue(s) currently facing your profession in Alabama and what is the Alabama State Board of Public Accountancy doing to address the issue(s)?

Respondent 1: "Integrity; Peer Review."

Respondent 3: "Lack of Talent. Need to go back to 4 years of schooling to set for exam."

Respondent 4: "Since many of the services we perform overlap with nonlicensed individuals such as tax preparers, I would like to see the Board's role expanded to regulate non-licensed individuals. i.e. I believe we need peer review of tax preparers."

Respondent 5: "Unlicensed tax return preparers."

Respondent 6: “Personnel.”

Respondent 9: “Maintaining trust and value of CPA designation. I think that separating ethics from other parts of the CPA exam would be good. Example- Tennessee Society- CPAs.”

Respondent 18: “Bookkeeping and Tax Services should be requested by the Board. There are too many unlicensed people performing substandard services to the public.”

Respondent 19: “Failure to bar convicted felons. Overreaction to private accounting rules.”

Respondent 21: “I THINK THE STATE BOARD SHOULD ADMINISTER THE LAW, REGULATIONS, ETC. ONE PROBLEM IS HAVING ENOUGH ACCOUNTING GRADUATES WANTING TO BECOME CPA’S. I THINK THE 5 YEAR ACCOUNTING DEGREES IS A DETERENT. A 4 YEAR DEGREE WITH A MAJOR IN ACCOUNTING IS SUFFICIENT ALONG WITH EXPERIENCE IN A CPA FIRM.”

Respondent 23: “Federal Regulation.”

Respondent 27: “Overly burdensome accounting policies & regs The Board is probably doing a pretty good job of being reasonable.”

Respondent 28: “Personnel Shortage. Time compression for filing tax returns.”

Respondent 33: “Peer Review transparency. xxxxx xxxxxx appears to do just what he wants to do without regard to firms.”

Respondent 34: “Unsatisfactory work and dishonesty.”

Respondent 35: “I don’t have time to elaborate. Suggestion: Conduct these surveys at a time other than a CPA’s busiest time. Received March 21. Filing deadline April 15!”

Respondent 36: “Peer review is not necessary. We are regulated enough. This is an unnecessary expense for us and our clients. The State Board is not doing anything to help. Just the opposite.”

Respondent 37: “Finding qualified staff and retaining them, small firm succession issues, overly complex and burdensome standards for small businesses. –Do not know what the Board is doing or if any action they could take to help- Most problems stem from national leadership of the profession.”

Respondent 40: “Over- Regulation of the smaller firms.”

Respondent 41: “Workload compression. Financial standards overload. Working through AICPA to reduce problems.”

Respondent 42: “Making sure the CPA’s reputation for investors and client that use CPA firms is kept at the highest level possible for the integrity of the profession.”

Respondent 44: “Lack of new CPAs. Providing flexibility in exam taking.”

Respondent 45: “Staff retention & recruitment I am not aware as to what the board is doing to address this matter.”

Respondent 51: “The practice of public accounting services, especially tax and “general accounting” by unlicensed and unqualified practitioners who are wholly unregulated. The general public thinks most of these unregulated practitioners are CPA’s.”

Respondent 52: “Tax laws are too complex and change too often. I do not know the solution.”

Respondent 53: “The Alabama State Board of Public Accountancy has not taken any action to prevent or correct the illegal audits of the City of xxxxxxxx by xxxxx, xxxxxx, xxxxx, & xxxxxxxx. By State law, xxxxx, xxxxxxx, xxxxx, & xxxxxxx is prohibited from auditing the City of xxxxxx for more than two years in succession. xxxxx, xxxxxxx, xxxxx, & xxxxxxx has audited the City of xxxxxxxx for six (6) successive years which is illegal in the State of Alabama.

7. The City of xxxxxxxx, Alabama is a class 5 municipality and operates pursuant to Section 11-43C-1, et seq., Code of Alabama 1975, as amended. Prior to October 1988, the governing body operated under the provisions of Section 11-43-1, et seq.

Section 11-43C-31 of the Code provides, in pertinent part, as follows: “At the end of each year, the mayor shall cause a full and complete examination of all the books and accountants of the city to be made by a certified public accountant, or by the state examiners, and shall cause the result of such examination to be published in the manner above provided for publication of statements of monthly expenditures. **Such examination shall not be made more than two years in succession by the same accountant.**” The accounting firm of xxxxx, xxxxxxx, xxxxx, & xxxxxxx audited the books and accounts of the City of xxxxxxxx for the following six successive fiscal years:
September 30, 2000
September 30, 2001

September 30, 2002
September 30, 2003
September 30, 2004
September 30, 2005

The above audit reports can be obtained from the City of xxxxxxxx or the Alabama Department of Economic Development-Audit Section,
WendyS@ADECA.state.al.us

This is a clear violation of the State law reference to above and the State Board of Public Accountancy has failed the public in this regard.

The enclosed Attorney General ruling clearly requires all class 5 cities, including xxxxxxxx, to not use the same accountant to audit the City's books and accounts for more than two years in succession.

Also, enclosed is the necessary information that shows xxxxxxxx is in fact a class 5 city and it is therefore subject to the state statute referred to above."

Respondent 55: "CPA Mobility- State Board is opposed to amending restrictions."

Respondent 56: "According to the Board correspondence and news, the Board is addressing issues concerning the CPA examination, continuing education, and discipline of those who do not perform adequately or in the public interest."

8. Do you think the Alabama State Board of Public Accountancy and its staff are satisfactorily performing their duties?

53 Yes 1 No 3 Unknown 0 No Opinion

Respondent 27: "Absolutely."

Respondent 51: "with the exception of item '7' above which requires legislative action."

Respondent 56: "The members of the Board that I am familiar with are dedicated and hard working and take the tasks they perform seriously."

9. Has any member of the Alabama State Board of Public Accountancy or its staff asked for money (other than normal fees), services, or any other thing of value in return for performing a Alabama State Board of Public Accountancy service for you?

0 Yes 57 No

Complainant Questionnaire

We surveyed nineteen complainants; of which seven responded.

1. Was your complaint filed with the Alabama State Board of Public Accountancy by:

7 Mail 0 Phone 0 Fax 0 Other 0 Unknown

Respondent 4: Also by phone.

Respondent 6: Also by phone.

Respondent 7: “2 complaints”

2. Was receipt of your complaint acknowledged?

7 Yes 0 No 0 Unknown

Respondent 1: “By 1 out of 6 letters sent.”

Respondent 7: 1 yes and 1 No

If yes, approximately how long after you filed your complaint were you contacted by the Alabama State Board of Public Accountancy?

1 Immediately 1 Within 10 days 1 Within 20 days
1 Within 30 days 3 More than 30 days 0 Unknown

Respondent 6: “7 weeks”

3. Was the employee who responded to your complaint knowledgeable and courteous?

4 Knowledgeable 0 Courteous 0 Neither 1 Both 2 No Answer

Respondent 5: No Answer

Respondent 6: Also Courteous

Respondent 7: “Received a letter on 1 nothing on the other.”

4. Did the Alabama State Board of Public Accountancy communicate the results of investigating your complaint to you?

4 Yes 2 No 0 Unknown 1 Neither

Respondent 2: “not necessary. We dropped the complaint & the problem was resolved.”

5. Do you think the Alabama State Board of Public Accountancy did everything it could to resolve your complaint?

2 Yes 4 No 1 Unknown

6. Were you satisfied with your dealings with the Alabama State Board of Public Accountancy?

3 Yes 4 No 0 Unknown

Respondent 6: “The C.P.A. (XXX XXXXXX) was guilty, and fined \$2,250.00. His failure to file my taxes for 1999, 2000, 2001, 2002 cost me over \$100,000.00 by I.R.S., he got away with \$30,000.00 of cash that was to be sent to I.R.S., and he escaped repayment of loans totaling \$643,063.11 and he was fined \$2,250 and kept his license to practice! That was a heck of a bargain for him!! The case took 1 ¼ years.”

APPENDICES

SMART Budgeting Reports

State of Alabama		AGENCY NAME: <u>Board of Public Accountancy</u>			Agency No. 300		
EBO Form No. 4b		FY 2006 SMART OPERATIONS PLAN			Page <u>1</u> of <u>1</u>		
					ACTUAL FY04	BUDGET FY05	BUDGET FY06
MISSION	To establish a system for overseeing and regulating the profession of Certified Public Accountancy in accordance with Code Sec. 34-1-4 et seq.						
VISION (Optional)	To implement Governor Riley's vision of reforming state government, as noted in Priority 1 .						
VALUES (Optional)	To regulate the practice of public accounting in order to protect the public interest.						
CRITICAL ISSUES (Optional)	To promote honesty, dedication, and commitment to ethical behavior in the profession of public accountancy.						
Internal	Productivity, staff retention, and crises management						
External	Technology						
PROGRAM ACTIVITY	663 Professional and Occupational Licensing and Regulation						
	0454 Accounting Licensing and Regulation				\$721,984	\$1,019,475	\$1,080,587
MISSION	To examine candidates who wish to become certified public accountants (CPAs); to regulate CPAs, Public Accountants (PAs), and non-licensee owners (NLOs). (Code Sec. 34-1-4 et seq.)						
GOAL(S)	To oversee the uniform CPA examination process. To issue CPA certificates. To administer the annual registration of CPAs, PAs, and NLOs. To investigate complaints timely (within 6 months). To oversee the continuing professional education process.						
WORKLOAD	Investigations of complaints will continue to increase. Audits of Continuing Professional Education will continue to increase.				No. of investigations 4 Percentage of licensees audited 2%	10 3%	15 3.5%
CRITICAL ISSUES							
Internal	Need for CPE Administrator. Training of new personnel.						
External	Timely assimilation of trained personnel willing to accept employment.						
OBJECTIVES							
Spending	Increase Admin spending by hiring CPE Administrator. Keep other costs within budget.						\$43,440
					\$721,984	\$1,019,475	\$1,037,147
Staffing	Add CPE Administrator.				(FTE) 4	4	5
	Continue to use part-time staff for clerical work and consulting, as needed.				(FTE) 1	1	1.5
Efficiency	Decrease amount of time Executive Director spends on investigations. Increase time CFO spends on investigations.				hrs/investigation 16	12	10
					hrs/investigation 0	5	16
Quality	Increase the percentage of complaints resolved within the same fiscal year they are received.				% 12%	20%	30%
STRATEGIES	To implement on-line registrations, thereby reducing time spent processing paperwork. To enhance the Board's capabilities to manage investigations and related issues.						

Smart Quarterly Performance Report											
Fiscal Year: 2006											
Agency: 300 Accountancy, Alabama State Board of Public											
Org:											
Program: 653 PRO AND OCCU LICENSING AND REG											
Activity: 0454 ACCOUNTING LICENSING & REG											
Performance Measures		First Quarter		Second Quarter		Third Quarter		Fourth Quarter		Annual	
Workload/Cost Factor	Performance Indicator	Projected	Actual	Projected	Actual	Projected	Actual	Projected	Actual	Projected	Actual
WC1: CPAs, PAs, NLOs, Firms registered	No. per quarter	6,030	5,854	2,710	2,502	265	235	780	783	9,785	9,745
WC2: CPA, PA, TAP, Firm permits issued	No. per quarter	4,795	4,631	2,061	2,117	247	226	572	192	7,675	7,168
WC3: CPA exam candidates tested	No. per quarter	325	348	250	279	275	285	350	351	1,200	1,263
WC4: Investigations	No. per quarter	3	2	5	2	3	2	4	6	15	11
WC5: CPE materials reviewed	No. per quarter	80	94	80	90	100	119	140	192	400	495
WC6: CPE audits completed	No. per quarter	0	2	0	0	85	104	85	165	170	271

Spending	Performance Indicator	Projected	Actual	Projected	Actual	Projected	Actual	Projected	Actual	Projected	Actual
SP1: Hire CPE Administrator	Salary/Quarter	11,697	11,137	10,023	9,546	12,670	12,148	9,050	9,050	43,440	41,861
SP2: Keep other costs within budget	Salary/Quarter	279,560	190,782	240,438	194,543	0	280,554	237,117	237,117	1,037,147	1,038,706
Staffing	Performance Indicator	Projected	Actual	Projected	Actual	Projected	Actual	Projected	Actual	Projected	Actual
ST1: Add CPE Administrator	FTE	1	1	1	1	1	1	1	1	1	1
ST2: Continue use of part-time staff	FTE	1	1	1	1	1	1	1	1	1	1
ST3: Maintain full time staff	FTE	4	4	4	4	4	4	4	4	4	4
Efficiency	Performance Indicator	Projected	Actual	Projected	Actual	Projected	Actual	Projected	Actual	Projected	Actual
EF1: Decrease Executive Director's time spent on Investigations.	Hrs. per Investigation	15	14	10	13	8	8	7	8	10	8
EF2: Increase CFO's time spent on investigations.	Hrs. per Investigation	10	2	15	4	18	18	21	2	16	2
Quality	Performance Indicator	Projected	Actual	Projected	Actual	Projected	Actual	Projected	Actual	Projected	Actual
QU1: Increase resolution of complaints in the same fiscal year received.	% Resolved	0.02	5%	0.08	0.0	0.1	0.2	0.1	0.17	0.3	0.17

How have policy decisions and budget determinations made by the governor and the legislature in the fiscal year 2005-06 affected your agency in meeting its desired accomplishments and services?
The policy decisions and budget determinations made by the governor and the legislature have enabled the Board to accomplish its goals, as planned.
What administrative improvements did your agency make in fiscal year 2005-06 and what potential improvements do you foresee for future years? Include suggested changes in legislation or administrative procedures which would aid your agency in these improvements.
The Board implemented on-line annual registrations for CPAs and PAs during fiscal year 2005-2006. In addition, on-line firm registrations were implemented for the fiscal year 2006-2007.

2007 SMART Operations Plan

Agency/ Org	300 - Accountancy, Alabama State Board of Public
Organization	-
Program	653 - PRO AND OCCU LICENSING AND REG
Activity	-

Mission	To examine candidates who wish to become certified public accountants (CPAs); to register CPAs, Public Accountants (PAs), Non-licensee Owners (NLOs), and Firms. Code Sec 34-1-4 et seq; to implement Governor Riley's vision of reforming state government, as noted in Priority 1
Vision	To regulate the practice of public accounting to protect the public interest
Values	To promote honesty, dedication, and commitment to ethical behavior in the profession of public accountancy

Goals

- G1: To investigate complaints of substandard work (GP-7)
- G2: To oversee the continuing professional education (CPE) process (GP-7)
- G3: To oversee the uniform CPA examination process (GP-7)
- G4: To administer the annual registration of CPAs, PAs, NLOs, and Firms (GP-7)
- G5: To issue CPA certificates (GP-7)

Critical Issues

- Internal** ICI1: Adequately trained staff to perform investigations and related tasks ()
- Internal** ICI2: Adequately trained staff to oversee the Information Technology duties ()
- Internal** ICI3: Adequately trained staff to perform CPA exam related duties ()

- External** ECI1: Disciplinary action often postponed until after courts have ruled ()
- External** ECI2: Number of registrants increasing resulting in increased demand on all staff ()
- External** ECI3: Costs for CPA exam are controlled by vendors ()

Strategies

- 1). Continue to enhance web-based registrations for CPAs, PAs, and Firms, allowing payment of registration fees by credit card ()
- 2). To enhance communication with the public, state agencies, national associations, and licensees via internet, e-mail and newsletters ()

2007 SMART Operations Plan

Workloads							Performance Indicator
Investigations of complaints will continue to increase							0
FY 07 Projected: 24 FY 07 Target: 16							
FY07 Quarterly Projections:	1 st Qtr:	4	2nd Qtr:	3	3 rd Qtr:	4	4 th Qtr: 5
Audits of CPE will increase							0
FY 07 Projected: 0.05 FY 07 Target: 305							
FY07 Quarterly Projections:	1 st Qtr:	5	2nd Qtr:	0	3 rd Qtr:	250	4 th Qtr: 50
Costs for uniform CPA examination process will increase							0
FY 07 Projected: 0.05 FY 07 Target: 1,325							
FY07 Quarterly Projections:	1 st Qtr:	375	2nd Qtr:	300	3 rd Qtr:	300	4 th Qtr: 350

Objectives							Performance Indicator	
Spending	Increase Admin spending by converting part-time position to full-time						quarterly salary for full-time position	
FY 07 Projected:		35,568		FY 07 Target:		37,152		
FY07 Quarterly Projections:	1 st Qtr:	10836	2nd Qtr:	9288	3 rd Qtr:	9288	4 th Qtr:	7740
	Keep other Admin spending at budget						0	
FY 07 Projected:		393,112		FY 07 Target:		371,900		
FY07 Quarterly Projections:	1 st Qtr:	108471	2nd Qtr:	92975	3 rd Qtr:	92975	4 th Qtr:	77479
	Keep all other operating expenses within budget						0	
FY 07 Projected:		719,891		FY 07 Target:		756,775		
FY07 Quarterly Projections:	1 st Qtr:	307793	2nd Qtr:	84852	3 rd Qtr:	281487	4 th Qtr:	82643
Staffing	Make Systems Administrator position full-time FTE:						FTE	
FY 07 Projected:		1		FY 07 Target:		1		
FY07 Quarterly Projections:	1 st Qtr:	1	2nd Qtr:	1	3 rd Qtr:	1	4 th Qtr:	1
	Keep other Admin staffing at same level FTE: 5.50						FTE	
FY 07 Projected:		5.7		FY 07 Target:		6.0		
FY07 Quarterly Projections:	1 st Qtr:	5.5	2nd Qtr:	5.5	3 rd Qtr:	5.5	4 th Qtr:	6.0
Efficiency	Hearings on violations						number of hearings	
FY 07 Projected:		8		FY 07 Target:		42		
FY07 Quarterly Projections:	1 st Qtr:	0	2nd Qtr:	35	3 rd Qtr:	2	4 th Qtr:	5

2007 SMART Operations Plan

Efficiency	Receive, log and process complaints						number of complaints
FY 07 Projected:	16		FY 07 Target:	20			
FY07 Quarterly Projections:	1 st Qtr:	5	2nd Qtr:	5	3 rd Qtr:	5	4 th Qtr: 5
Quality	Investigate complaints and hold disciplinary hearings as necessary						number of investigations
FY 07 Projected:	0.75		FY 07 Target:	16			
FY07 Quarterly Projections:	1 st Qtr:	4	2nd Qtr:	3	3 rd Qtr:	4	4 th Qtr: 5
	Perform annual CPE audits						number of audits
FY 07 Projected:	1		FY 07 Target:	305			
FY07 Quarterly Projections:	1 st Qtr:	5	2nd Qtr:	0	3 rd Qtr:	250	4 th Qtr: 50

2007 SMART Operations Plan

Source of Funds			
Fund Code	Fund Name	Requested FY 07	Budgeted FY 07
0352	Alabama State Board of Public Accountancy	\$1,148,571	\$1,165,827
Total of all Funds Listed Above:		\$1,148,571	\$1,165,827

Statutes

CHAPTER 1. ACCOUNTANTS.

§ 34-1-1. Short title.

This chapter may be cited as the Public Accountancy Act of 2003.
(Acts 1973, No. 997, p. 1510, § 1; Act 2003-393, p. 1114, § 1.)

§ 34-1-2. Definitions.

For purposes of this chapter, the following words and phrases shall have the meanings respectively ascribed in this section:

- (1) AICPA. The American Institute of Certified Public Accountants.
- (2) Attest. Providing the following financial statement services:
 - a. Any audit or other engagement to be performed in accordance with the Statements on Auditing Standards (SAS).
 - b. Any review of a financial statement to be performed in accordance with the Statements on Standards for Accounting and Review Services (SSARS).
 - c. Any examination of prospective financial information to be performed in accordance with the Statements on Standards for Attestation Engagements (SSAE).
 - d. The statements on standards specified in this definition shall be adopted by reference by the board pursuant to rule making and shall be those developed for general application by recognized national accountancy organizations such as the AICPA.
- (3) Board. The Alabama State Board of Public Accountancy created by Section 34-1-3, except the special meaning applicable only to Section 34-1-4.
- (4) Compilation. Providing a service to be performed in accordance with Statements on Standards for Accounting and Review Services (SSARS) that is presenting in the form of financial statements, information that is the representation of management (owners) without undertaking to express any assurance on the statements.
- (5) Firm. A sole proprietorship, partnership, professional corporation, professional association, limited liability company, limited liability partnership, or any other form of business entity now or hereafter recognized by Alabama law.
- (6) License. A certificate issued pursuant to Section 34-1-4, a permit issued pursuant to Section 34-1-11, or registration pursuant to Section 34-1-8; or, in each case, a certificate or permit issued pursuant to corresponding provisions of prior law.
- (7) Licensee. The holder of a license.
- (8) Owner. Any person who holds an ownership interest in a firm.
- (9) Peer review. The study, appraisal, or review of one or more aspects of the professional work of a licensee or firm that performs attest or compilation services, by a person or persons who hold licenses and who are not affiliated with the licensee or firm being reviewed.
- (10) State. Any state, territory, or insular possession of the United States or the District of Columbia.

(Acts 1973, No. 997, p. 1510, § 21; Acts 1995, No. 95-516, p. 1038, § 1; Act 2003-393, p. 1114, § 1.)

§ 34-1-3. State Board of Public Accountancy.

(a) There is created a board of public accountancy in and for the State of Alabama, to be known as the Alabama State Board of Public Accountancy. The board shall consist of seven members appointed by the Governor and, effective October 1, 1988, confirmed by the Senate. Members of the board shall be citizens of the United States and residents of the state. Five members of the Alabama State Board of Public Accountancy shall be certified public accountants in good standing with the board and shall be appointed by the Governor to the board. The Governor shall, in addition, appoint two other members to the board one being a public accountant who holds an active license to practice public accountancy issued under the laws of this state and who is in active practice as a public accountant and a seventh member of the board who shall be a public member who is not under the jurisdiction of the board, but shall at the time of his or her appointment be an active and reputable member of the Alabama business community who possesses a knowledge and understanding of financial transactions and financial statements. The persons and their successors shall constitute the Board of Public Accountancy and shall have and exercise all the powers and authority vested by law in the board.

(b) All appointments shall be effective on October 1 for four-year terms, unless an appointment is made for an unexpired term.

(c) The Alabama Society of Certified Public Accountants shall, at least 30 days prior to the beginning of any term or within 30 days after any position on the board becomes vacant, submit to the Governor the names of five persons qualified for membership on the board for the certified public accountant position and public member position to be filled, and the Governor shall appoint one of the five nominees. Upon the failure of the Alabama Society of Certified Public Accountants to submit timely nominations for a position on the Board of Public Accountancy, the Board of Public Accountancy may submit nominations for the position to the Governor, who shall appoint one of the five nominees.

(d) The Alabama Association of Accountants shall, at least 30 days prior to the beginning of any term or within 30 days after any position on the board becomes vacant, submit the names of five persons qualified for membership on the board for the public accountant position to be filled, and the Governor shall appoint one of the five nominees. Upon the failure of the Alabama Association of Accountants to submit timely nominations for a position on the Board of Public Accountancy, the Board of Public Accountancy may submit nominations for the position to the Governor, who shall appoint one of the five nominees.

(e) No person who has served two successive complete terms on the board shall be eligible for reappointment until after the lapse of one year. An appointment to fill an unexpired term shall not be considered a complete term. Vacancies occurring during a term shall be filled by appointment for the unexpired term. Upon the expiration of his or her term of office, a member shall continue to serve until his or her successor is appointed and confirmed by the Senate. Within 15 days after their confirmation by the Senate, the members of the board shall take an oath before any person lawfully authorized to administer oaths in this state to faithfully and impartially perform their

duties as members of the board, and the same shall be filed with the Secretary of State. The Governor shall remove from the board any accountant-member whose permit to practice has become void, has been revoked, or suspended, or may, after a hearing, remove any member of the board for neglect of duty or just cause.

(f) The board shall elect annually a chair, a vice-chair, and a secretary from its members.

(g) The board may adopt and amend rules and regulations pursuant to the Administrative Procedure Act for the orderly conduct of its affairs and for the administration of this chapter.

(h) A majority of the board shall constitute a quorum for the transaction of business.

(i) The board shall have a seal which shall be judicially noticed.

(j) The board shall keep records of its proceedings and of any proceeding in court, civil or criminal, arising out of or founded upon this chapter. Copies of the records certified as correct under the seal of the board shall be admissible in evidence to prove the content of the records.

(k) The board shall maintain an annual register which shall contain the names, arranged alphabetically by classification, of all licensees under this chapter; the names of the members of the board; and all other information deemed proper by the board. The board may charge a fee in an amount set by it for furnishing the annual register to persons who request it.

(l) The board shall employ an executive director and such other personnel as may be needed and arrange for such assistance, services, supplies, and equipment as it requires for the performance of its duties. The number of employees, their compensation, and all other expenses of the board shall be paid at such rates and in such amounts as the board shall approve. The executive director and other employees of the board shall not be subject to or governed by the provisions of the state Merit System law but shall be entitled to all benefits accruing to Merit System employees including, but not limited to, the right to accumulate leave, participate in the Employees' Retirement System, and participate in the State Employees' Health Insurance Plan.

(m) The board may promulgate and amend rules of professional conduct appropriate to establish and maintain a high standard of integrity in the profession of public accountancy. At least 60 days prior to the promulgation of any rule or amendment, the board shall mail copies of the proposed rule or amendment to each holder of a permit issued under Section 34-1-11, with a notice advising him or her of the proposed effective date of the rule or amendment and requesting that he or she submit comments thereon at least 15 days prior to the effective date; the comments shall be advisory only. Failure to receive by mail the rule, amendment, or notice by all permit holders shall not affect the validity of any rule or amendment.

(n) Each member of the board shall be paid the same per diem and travel allowance paid to state employees for each day the member is actively engaged in the official business of the board out of the funds of the board.

(o) Any records, information, or writings obtained or kept by the Board of Public Accountancy in connection with a peer review program which the board is authorized to establish by rules and regulations, or obtained or kept by the board in connection with a disciplinary investigation shall be held in confidence. If, pursuant to a disciplinary investigation, probable cause for a hearing is found by the board, records, information, or

writings upon which the finding is based shall be available to the licensee under investigation. Records, information, and writings held in confidence shall not be disclosed to any person except to the extent necessary to carry out the purposes of the peer review program, the investigation, or the provisions of this chapter; pursuant to a court order for the production of evidence or the discovery thereof; or pursuant to litigation involving the Board of Public Accountancy wherein the records, information, or writings are relevant to the issue in litigation. Notwithstanding the foregoing, with respect to peer review programs deemed acceptable to the board which are performed by other organizations, the board shall require that the peer review processes be operated and documents maintained in a manner designed to preserve confidentiality, and that neither the board nor any third party, other than an oversight body, shall have access to documents furnished or generated in the course of the review.
(Acts 1973, No. 997, p. 1510, § 2; Acts 1988, No. 88-136, p. 196, § 3; Acts 1995, No. 95-516, p. 1038, § 1; Act 2003-393, p. 1114, § 1.)

§ 34-1-4. Granting of certificates to certified public accountants.

(a) If each of the following qualifications is met, the certificate of certified public accountant shall be granted by the board to any person:

(1) Who is a citizen of the United States or has duly declared his or her intent to become a citizen.

(2) Who has attained the age of 19 years.

(3) Who is of good moral character.

(4) Who meets the following educational requirements:

a. A person shall have earned a college degree from a four-year college or university accredited by a regional accreditation board such as the Southern Association of Colleges and Universities, with a concentration in accounting or what the board determines to be substantially the equivalent of a concentration in accounting. Persons who, on May 16, 1989, have previously taken the uniform written CPA examination shall be considered to meet these qualifications.

b. After January 1, 1995, any person who has not previously sat for the uniform CPA examination shall have completed a total of 150 semester hours or 225 quarter hours of postsecondary education, including a baccalaureate degree at a college or university accredited by a regional accreditation board such as the Southern Association of Colleges and Universities. The total education program shall include an accounting concentration as defined by the board and other course work as the board may require by regulation.

(5)a. Who has successfully passed a uniform examination, administered by the board or its designee, in accounting and auditing and in any other related subjects as the board deems necessary, including, but not limited to, business law and taxation, to maintain the highest standard of proficiency in the profession of public accounting.

b. After January 1, 1995, in order to be eligible for an initial sitting for the uniform CPA examination, a person shall have completed a total of 150 semester hours or 225 quarter hours of education, including a baccalaureate degree at a college or university accredited by a regional accreditation board such as the Southern Association of Colleges and Universities.

(b)(1) Examinations provided for in this chapter shall be given by the board as often

as necessary, but not less frequently than twice each year. The board shall, after each examination, notify applicants of the results.

(2) The board may issue certificates under the signature and the official seal of the board, pursuant to this chapter.

(c) The board shall charge each person certified under subsection (e) and each candidate an application fee for the uniform CPA examination in an amount determined by the board. Examination and reexamination fees shall be charged by the board, or its designee, in amounts determined by the board for each subject in which a candidate is examined. The applicable fees shall be paid to the board, or its designee, by the candidate at the time he or she applies for examination or reexamination.

(d) Persons who, on May 16, 1989, held certified public accountant certificates issued under the laws of this state shall not be required to obtain additional certificates under this chapter, but shall otherwise be subject to this chapter. The certificates issued shall, for all purposes, be considered certificates issued under this chapter and subject to this chapter.

(e) The board may waive the examination under subdivision (a)(5), and may issue a certificate as a certified public accountant to any person paying the application fee provided in subsection (c) who possesses the qualifications specified in subdivisions (a)(1) through (a)(3), and what the board determines to be substantially the equivalent of the applicable qualifications under subdivision (a)(4), and who is the holder of a certificate as a certified public accountant, then in full force and effect, issued under the laws of any state.

(f) The board may make appropriate regulations to govern the issuance of a certificate as a certified public accountant to the holder of a certificate, license, or degree which is then in full force and effect in any foreign country constituting a recognized qualification for the practice of public accounting in the country, comparable to that of a certified public accountant of this state.

(Acts 1973, No. 997, p. 1510, § 3; Acts 1989, No. 89-812, p. 1620, § 1; Acts 1992, No. 92-179, p. 327, § 3; Act 2003-393, p. 1114, § 1.)

§ 34-1-5. Registration of foreign accountants.

The board may, in its discretion and upon application and the payment of an initial registration fee not in excess of \$100.00, permit the registration of any person with good moral character who is the holder of a certificate, license or degree in a foreign country constituting a recognized qualification for the practice of public accounting in such country. A person so registered shall use only the title under which he is generally known in his own country, followed by the name of the country from which he received his certificate, license or degree.

(Acts 1973, No. 997, p. 1510, § 4.)

§ 34-1-6. Registration of firms of certified public accountants.

(a) A firm engaged in this state in the practice of public accounting may register with the board as a firm of certified public accountants provided it meets all of the following requirements:

(1) At least 51 percent of the ownership of the firm, in terms of financial interests

and voting rights of all partners, officers, shareholders, members, or managers, belongs to holders of a certificate who are licensed in some state, and such partners, officers, shareholders, members, or managers, whose principal place of business is in this state, and who perform professional services in this state hold a valid certificate issued under Section 34-1-4. Although firms may include nonlicensee owners, the firm and its ownership must comply with rules promulgated by the board.

(2) Each certified public accountant owner regularly engaged within this state in the practice of public accounting as a member of the firm shall be a certified public accountant of this state in good standing except as provided in subdivision (4) of this subsection.

(3) Each resident manager in charge of an office of a firm in this state whose main office is outside this state shall be a certified public accountant of this state in good standing except as provided in subdivision (4) of this subsection.

(4) Certified public accountants (CPA's) from other jurisdictions transferring into Alabama shall be required to obtain an Alabama reciprocal certificate within 24 months from the date of transfer.

(5) Any CPA firm as defined in this chapter may include nonlicensee owners provided that:

a. The firm designates a licensee of this state who is responsible for the proper registration of the firm and identifies that individual to the board.

b. All nonlicensee owners are active individual participants in the CPA firm or affiliated entities.

c. A nonlicensee is prohibited from being an owner if he or she has previously held a license.

d. All nonlicensee owners shall register annually with the board, pay an annual registration fee in an amount determined by the board, and report the satisfaction of any annual continuing education requirements that the board may impose by rule on nonlicensee owners.

e. The firm complies with such other requirements as the board may impose by rule.

(6) Firms which fall out of compliance with this section due to changes in firm ownership or personnel, after receiving or renewing a permit, shall take corrective action to bring the firm back into compliance as quickly as possible. The board may grant a reasonable period of time to take such corrective action. Failure to bring the firm back into compliance within a reasonable period of time as defined by the board will result in the suspension or revocation of the firm permit.

(b) Application for registration shall be made upon the affidavit of an owner of the firm who is a certified public accountant of this state in good standing. The board shall in each case determine whether the firm is eligible for registration. A firm which is registered and which holds a permit issued under Section 34-1-11 may use the words "certified public accountants" or the abbreviation "C.P.A.'s" in connection with the name of the firm. Notification shall be given the board, within one month, after the admission to or withdrawal of an owner from any firm registered.

(Acts 1973, No. 997, p. 1510, § 5; Acts 1995, No. 95-516, p. 1038, § 1; Act 2003-393, p. 1114, § 1.)

§ 34-1-7. Temporary annual permits for nonresident certified public accountants.

The board may, in its discretion, issue temporary annual permits to holders of valid and unrevoked certificates as certified public accountants under the laws of other states, who are not residents of the State of Alabama, for the purpose of enabling such persons to fulfill specific accounting engagements or employments, the contracts for which were entered into outside of Alabama. The annual fee for issuance of the permits shall be determined by the board. The board shall adopt rules and regulations providing for the issuance and revocation of said permits and the regulation of permit holders.

(Acts 1973, No. 997, p. 1510, § 6.)

§ 34-1-8. Registration of public accountants.

Written evidence of registration as public accountants shall be issued to:

(1) Any person who is a resident of this state, or practices accounting herein, who has attained the age of 19 years, and who is of good moral character and a citizen of the United States or has declared his intent to become a citizen, and who meets the requirements of paragraphs a, b, c, or d of this subdivision, may, upon payment of an initial registration fee to be fixed by the board, register with the board as a public accountant on or before October 1, 1974:

a. Persons who hold themselves out to the public as public accountants and who are engaged as principals, as distinguished from employees, within this state on October 1, 1973, in the practice of public accounting as their principal occupation.

b. Persons serving in the armed forces of the United States of America on October 1, 1973, who immediately prior to entering such service held themselves out to the public as public accountants and were engaged as principals, as distinguished from employees, within this state in practice of public accounting as their principal occupation. In the case of any such person, the time for registration shall be extended for a period of 12 months from the time such person is separated from active duty.

c. Staff accountants employed in this state by certified public accountants or by public accountants and regularly assigned to accounting engagements on October 1, 1973.

d. Upon payment of a fee to be fixed by the board, an employee of a department, agency or instrumentality of the United States, this state or a political subdivision of this state, whose work on October 1, 1973 involves accounting or auditing activities of a type which in the opinion of the board is the equivalent of public accounting work, may file with the board a declaration that he intends to register as a public accountant on or before a specified later date pursuant to the provisions of this section, and upon such later specified date the board, after investigation and determination of eligibility as provided hereinafter in this section, shall so register him as a public accountant.

e. The board shall in each case determine whether an applicant is eligible for registration. Any individual who is so registered and who holds a permit issued under Section 34-1-11 shall be styled and known as a public accountant.

(2) From October 1, 1974 to October 1, 1978, any person who is a resident of this state, who has attained the age of 19 years, and who is of good moral character and a

citizen of the United States or has declared his intent to become a citizen, upon payment of an initial registration fee to be fixed by the board may register with the board as a public accountant; provided, that he has received a college degree with a major in accounting from a four-year college accredited by a regional accreditation board such as the Southern Association of Colleges and Universities, or who shall have passed written examinations covering the subjects of theory of accounting, practical accounting, auditing, commercial law as affecting accountancy and the professional ethics of public accountants. The examinations shall be conducted by the board semiannually and the papers graded in a uniform manner. The questions used in all sections of the examination shall adhere to the standards established by the National Society of Public Accountants. A passing grade of 75 percent is required for registration. Examination fees shall be set by the board.

(Acts 1973, No. 997, p. 1510, § 7.)

§ 34-1-9. Registration of firms of public accountants.

(a) A firm engaged in this state in the practice of public accounting may register with the board as a firm of public accountants provided it meets all of the following requirements:

(1) At least 51 percent of the ownership of the firm, in terms of financial interests and voting rights of all partners, officers, shareholders, members, or managers, belongs to certified public accountants or public accountants of this state in good standing with a valid permit to practice. Although public accountant firms may include nonlicensee owners, the firm and its ownership must comply with rules promulgated by the board.

(2) Any public accountant firm as defined in this chapter may include nonlicensee owners provided that:

a. The firm designates a licensee of this state who is responsible for the proper registration of the firm and identifies that individual to the board.

b. All nonlicensee owners are active individual participants in the public accountant firm or affiliated entities.

c. A nonlicensee is prohibited from being an owner if they have previously held a license.

d. All nonlicensee owners shall register annually with the board, pay an annual registration fee in an amount determined by the board, and report the satisfaction of any annual continuing education requirements that the board may impose by rule on nonlicensee owners.

e. The firm complies with such other requirements as the board may impose by rule.

(3) Firms which fall out of compliance with this section due to changes in firm ownership or personnel, after receiving or renewing a permit, shall take corrective action to bring the firm back into compliance as quickly as possible. The board may grant a reasonable period of time to take such corrective action. Failure to bring the firm back into compliance within a reasonable period of time as defined by the board will result in the suspension or revocation of the firm permit.

(b) Application for registration shall be made upon the affidavit of an owner of the firm who is a certified public accountant or public accountant of this state in good

standing. The board shall in each case determine whether the firm is eligible for registration. A firm which is registered and which holds a permit issued under Section 34-1-11 may use the words "public accountants" or the abbreviation "P.A.'s" in connection with the name of the firm. Notification shall be given the board, within one month, after the admission to or withdrawal of an owner from any firm registered. (Acts 1973, No. 997, p. 1510, § 8; Acts 1995, No. 95-516, p. 1038, § 1; Act 2003-393, p. 1114, § 1.)

§ 34-1-10. Registration and supervision of offices.

Each office established or maintained in this state for the practice of public accounting in this state by a certified public accountant, firm of certified public accountants, a public accountant, firm of public accountants, or by one registered under Section 34-1-5 shall be registered annually under this chapter with the board, but no fee shall be charged for registration. Each office shall be under the direct supervision of a licensee holding a permit under Section 34-1-11, which is in full force and effect. Notwithstanding the foregoing, the title or designation "certified public accountant" or the abbreviation "C.P.A." shall not be used in connection with the office unless the licensee is the holder of a certificate as a certified public accountant under Section 34-1-4 and a permit issued under Section 34-1-11, both of which are in full force and effect. The licensee may serve in such capacity at one office only. The board shall by regulation prescribe the procedure to be followed in effecting registrations.

(Acts 1973, No. 997, p. 1510, § 9; Acts 1995, No. 95-516, p. 1038, § 1.)

§ 34-1-11. Annual permits to practice; inactive status; continuing education.

(a)(1) Permits to engage in the practice of public accounting in this state shall be issued by the board to a holder of a certificate of certified public accountant issued under Section 34-1-4 and to a person registered under Section 34-1-8 who furnishes evidence satisfactory to the board of compliance with the requirements of subsection (c) of this section, and who: (1) is a citizen of the United States or has declared his intent to become a citizen; and (2) has attained the age of 19 years; and (3) is of good moral character; and (4) meets the experience requirements set forth in subsection (e) of this section. Permits to engage in the practice of public accounting in this state also shall be issued by the board to persons or firms under Sections 34-1-5, 34-1-6, and 34-1-9, if all offices of those certificate holders or registrants are maintained and registered as required under Section 34-1-10. There shall be an annual permit fee for each certificate holder under Section 34-1-4, each registrant under Section 34-1-8, and each firm in an amount to be determined by the board. All permits shall expire on September 30 of each year and may be renewed annually for a period of one year. The application for renewal and annual renewal fee shall be filed with this board no later than December 31 following the expiration date. The board may also charge a late renewal penalty on or after January 1 following the expiration date in an amount set by the board which is graduated depending on the length of time the renewal is delinquent.

(2) The board shall by rule require as a condition for renewal of a permit under this section, by any permit holder who performs compilation services for the public

other than through a CPA or PA firm, that such individual undergo, no more frequently than once every three years, a peer review conducted in such manner as the board shall by rule specify.

(b)(1) Notwithstanding the provisions of preceding subsection (a), a certified public accountant or public accountant registered under this chapter who is not engaged in the practice of public accounting may request the board, in writing, to place his or her name on the board's inactive roll, thereby granting him or her inactive status and protecting his or her right to obtain a permit to practice pursuant to preceding subsection (a) at a later time as he or she wishes to become actively engaged in the practice of public accounting.

(2) If, upon receipt of the notification, the board determines that the certified public accountant or public accountant is not engaged in public accounting, the certified public accountant or public accountant shall be permitted to retain his or her initial registration or certificate by paying an annual registration fee in an amount as the board shall, from time to time, determine. Effective October 1, 2007, certified public accountants or public accountants granted inactive status by the board must place the word "inactive" adjacent to their CPA title or PA title on any business card, letterhead, or any other document or device, with the exception of their CPA certificate or PA registration, on which their CPA or PA title appears. If a certified public accountant or public accountant who has elected inactive status wishes to reenter the active practice of public accountancy, he or she shall make application to the board for an annual permit to practice. The board, in its rules and regulations, shall specify the number of hours of continuing education the applicant shall obtain before he or she regains active status to ensure his or her competency to practice public accounting.

(c) Every application for renewal of an annual permit to practice by any person who holds a certificate as a certified public accountant or who is a registrant under Section 34-1-8 shall be accompanied or supported by any evidence the board prescribes of satisfaction of its continuing education requirements during the preceding year. Failure by an applicant for renewal of an annual permit to furnish the evidence shall constitute grounds for revocation, suspension, or refusal to renew the permit in a proceeding under Section 34-1-12, unless the board determines the failure to have been due to reasonable cause. The board may renew an annual permit to practice despite failure to furnish evidence of satisfaction of requirements of continuing education upon the condition that the applicant follows a particular program or schedule of continuing education. In issuing rules, regulations, and individual orders in respect of requirements of continuing education, the board may, among other things, use and rely upon guidelines and pronouncements of recognized educational and professional associations; may prescribe for content, duration, and organization of courses; shall take into account the accessibility by applicants to the continuing education required and any impediments to interstate practice of public accountancy which result from the difference in the requirements in other states; and may provide for relaxation or suspension of those requirements in regard to applicants who certify that they do not intend to engage in the practice of public accountancy, and for instances of individual hardships.

(d) In the event a certified public accountant or public accountant fails to apply for an annual permit to practice or to be placed on the board's inactive roll within: (1) One year

from the expiration date of the permit to practice last obtained or renewed pursuant to subsection (a); (2) one year from the expiration date of the last annual renewal of his or her certificate pursuant to subsection (b); or (3) one year from the date upon which the certificate holder or registrant was granted his or her certificate or registration, if no permit was ever issued to him or her under subsection (a) or his or her name was never placed on the board's inactive roll under subsection (b), it shall deprive him or her of the right to apply for a permit or inactive status, and shall constitute grounds for revocation or suspension of the holder's certificate, unless the board determines the failure to have been due to reasonable cause. In that case, the board may impose a reinstatement fee not to exceed one hundred dollars (\$100), plus the total annual registration fees and late renewal penalties which the certified public accountant or public accountant would have paid under this chapter during the period when neither a permit nor inactive status was maintained. The board may also charge an inactive status penalty in an amount set by the board which is graduated for the time of the inactivity.

(e) The experience requirement shall be one year of experience in the practice of public accounting as defined by the board's rules and regulations.

(Acts 1973, No. 997, p. 1510, § 10; Acts 1989, No. 89-812, p. 1620, § 1; Acts 1992, No. 92-179, p. 327, § 3; Act 2003-393, p. 1114, § 1.)

§ 34-1-12. Suspension, revocation, etc., of certificate, registration, or permit; fines.

(a) After notice and hearing as provided in Section 34-1-14, the board may suspend for a period not to exceed three years or revoke any certificate issued under Section 34-1-4, or any registration granted under Sections 34-1-5, 34-1-7, or 34-1-8, may revoke, suspend, or refuse to renew any permit issued under Section 34-1-11, or may censure the holder of any permit for any one or any combination of the following causes:

(1) Fraud or deceit in obtaining a certificate as a certified public accountant or in obtaining registration under this chapter or in obtaining a permit to practice public accounting under this chapter.

(2) Dishonesty, fraud, or gross negligence in the practice of public accounting.

(3) Any violation of Section 34-1-16.

(4) Any violation of a rule of professional conduct promulgated by the board under the authority granted by this chapter.

(5) Conviction of any crime, an element of which is dishonesty or fraud, under the laws of any state or of the United States.

(6) Conviction of a felony under the laws of any state or of the United States.

(7) Cancellation, revocation, suspension, or refusal to renew authority to practice as a certified public accountant or a public accountant by any other state for any cause other than failure to pay an annual registration fee in the other state.

(8) Suspension or revocation of the right to practice before any state or federal agency.

(9) Failure to become a citizen of the United States within six years by any person not a citizen of the United States when he or she received a certificate as a certified public accountant or was registered as a public accountant under this chapter.

(10) Failure to apply for an annual permit to practice or to be placed on the board's inactive roll within any of the following time periods:

a. One year from the expiration date of the permit to practice last obtained or

renewed pursuant to Section 34-1-11(a).

b. One year from the expiration date of the last annual renewal of his or her certificate pursuant to Section 34-1-11(b).

c. One year from the date upon which the certificate holder or registrant was granted his or her certificate or registration, if no permit was ever issued under Section 34-1-11(a) or his or her name was never placed on the board's inactive roll under Section 34-1-11(b), unless the failure is excused by the board pursuant to Section 34-1-11.

(11) Conduct discreditable to the public accounting profession.

(12) Failure of a certificate holder or registrant to furnish evidence of satisfaction of requirements of continuing education as required by the board pursuant to Section 34-1-11 or to meet any conditions in respect of continuing education which the board may have ordered with respect to the certificate holder under that section.

(13) Failure to comply with the provisions and requirements of the board's peer review program.

(14) Failure to comply with this chapter or rules promulgated by the board under this chapter or failure to comply with professional standards.

(15) Making any false or misleading statement or verification in support of an application for a certificate, registration, or permit filed by another.

(b) In addition to the disciplinary powers granted pursuant to subsection (a), the board may singly, or in combination with any other disciplinary action, levy and collect administrative fines for violations of this chapter or the rules and regulations of the board of not more than one thousand dollars (\$1,000) for each violation.

(Acts 1973, No. 997, p. 1510, § 11; Acts 1989, No. 89-812, p. 1620, § 1; Acts 1992, No. 92-179, p. 327, § 3; Act 2003-393, p. 1114, § 1.)

§ 34-1-13. Revocation or suspension of registration and permit to practice; censure of permit holder.

(a) After notice and hearing as provided in Section 34-1-14, the board shall revoke the registration and permit to practice of a firm if at any time it does not have all the qualifications prescribed by the section of this chapter under which it qualified for registration.

(b) After notice and hearing as provided in Section 34-1-14, the board may revoke or suspend the registration of a firm or may revoke, suspend, or refuse to renew its permit under Section 34-1-11 to practice, or may censure the holder of any permit for any of the causes enumerated in Section 34-1-12 or for any of the following additional causes:

(1) The revocation or suspension of the certificate or registration or the revocation, suspension, or refusal to renew the permit to practice of any licensee.

(2) The cancellation, revocation, suspension, or refusal to renew the authority of the firm or any owner thereof, to practice public accounting in any other state for any just cause other than failure to pay an annual registration fee in the other state.

(Acts 1973, No. 997, p. 1510, § 12; Acts 1995, No. 95-516, p. 1038, § 1.)

§ 34-1-14. Hearings; judicial review.

(a) *Commencement of proceeding.* The board may initiate proceedings under this chapter either on its own motion or on the complaint of any person.

(b) *Notice; service and contents.* A written notice stating the nature of the charge or charges against the accused and the time and place of the hearing before the board on such charges shall be served on the accused not less than 30 days prior to the date of said hearing either personally or by mailing a copy thereof by registered or certified mail to the address of the accused last known to the board.

(c) *Failure to appear.* If, after having been served with the notice of hearing as provided for herein, the accused fails to appear at said hearing and defend, the board may proceed to hear evidence against him and may enter such order as shall be justified by the evidence, which order shall be final unless he petitions for a review thereof as provided herein; provided, that within 30 days from the date of any order, upon a showing of good cause for failing to appear and defend, the board may reopen said proceedings and may permit the accused to submit evidence in his behalf.

(d) *Counsel; witnesses; cross-examination.* At any hearing the accused may appear in person or by counsel, produce evidence and witnesses on his own behalf, cross-examine witnesses and examine such evidence as may be produced against him. A professional association or corporation may be represented before the board by counsel or by a shareholder who is a certified public accountant or public accountant of this state in good standing. The accused shall be entitled, on application to the board, to the issuance of subpoenas to compel the attendance of witnesses on his behalf.

(e) *Subpoenas; testimony; deposition.*

(1) In all matters pending before it, the board shall have the power to issue subpoenas and compel the attendance of witnesses and the production of all necessary papers, books and records, documentary evidence and materials or other evidence. Any person failing or refusing to appear or testify regarding any matter about which he may be lawfully questioned or to produce any papers, books, records, documentary evidence or materials or other evidence in the matter to be heard, after having been required by order of the board or by subpoena of the board to do so, may, upon application by the board to any circuit judge of the State of Alabama, be ordered to comply therewith, and upon failure to comply with the order of said circuit judge, the said court may compel obedience by attachment as for contempt, as in the case of disobedience of a similar order or subpoena issued by said court. The chairman and the secretary of the board shall have the authority to issue subpoenas, and any board member shall have authority to administer oaths to witnesses or to take their affirmation. A subpoena or other process or paper may be served upon any person named therein, anywhere within the State of Alabama, with the same fees and mileage, by any officer authorized to serve subpoenas or such other process or paper in civil actions, in the same manner as is prescribed by law for subpoenas issued out of the circuit courts of this state, said fees and mileage and other costs including witness fees and mileage to be paid as the board directs.

(2) Deposition may be taken within or without the State of Alabama in the manner provided for by the laws of Alabama and the Alabama Rules of Civil Procedure for the taking of depositions in matters pending in the circuit courts of this state. Said depositions shall be returnable to the clerk of the circuit court of the county wherein

said hearing before the board is pending, and said clerk shall deliver said depositions to the board upon request, and said depositions may be opened or used by the parties to said proceedings the same as is provided for in matters pending before the circuit courts.

The circuit court shall, upon request of any interested party in any proceedings before the board, issue commissions for the taking of depositions in the same manner as is provided by law for the issuance of commissions for the taking of depositions in matters pending before the circuit courts of this state.

(f) *Evidence.* The board shall not be bound to observe formal rules of pleading or evidence.

(g) *Record.* A stenographic record of hearings shall be kept and a transcript thereof filed with the board.

(h) *Attorney for the board.* At all hearings, the Attorney General of this state, or one of his assistants designated by him, or such other legal counsel as may be employed by the board, shall appear and represent the board and participate in the presentation of any matter before the board.

(i) *Decision.* Any decision of the board shall be by majority vote thereof.

(j) *Review by court.*

(1) Anyone adversely affected by any order of the board may obtain a review thereof by filing a written petition for review with the Circuit Court of Montgomery County within 30 days after the entry of said order. The petition shall contain or have attached thereto a true copy of the order complained of and shall state the grounds upon which the review is asked and shall pray that the order of the board be modified or set aside in whole or in part. A copy of such petition shall be forthwith served upon any member of the board, and thereupon the board shall certify and file in the court a copy of its order and a complete transcript of the record upon which the order complained of was entered. The case shall then be tried and heard on the record made before the board, without the introduction of new or additional evidence, but the parties shall be permitted to file briefs. The court may affirm, modify or set aside the board's order in whole or in part, or may remand the case to the board for further evidence, and may, in its discretion, stay the effect of the board's order pending its determination of the case. The court's decision shall have the force and effect of a judgment.

(2) From the judgment of the circuit court, either the board or the affected party who invoked the review may appeal directly to the Supreme Court of Alabama by taking such appeal within 42 days after the date of the making of and entering of its judgment by the circuit court. The affected party so appealing shall give security for the costs of such appeal to be approved by the register or clerk of the circuit court.

No such security shall be required of the board.

(Acts 1973, No. 997, p. 1510, § 13.)

§ 34-1-15. Reinstatement of certificate, registration or permit.

Upon application in writing and after hearing, pursuant to notice, the board may issue a new certificate to a certified public accountant whose certificate shall have been revoked, may allow the reregistration of anyone whose registration has been revoked or may reissue or modify the suspension of any permit to practice public accounting which

has been revoked or suspended.
(Acts 1973, No. 997, p. 1510, § 14.)

§ 34-1-16. Acts declared unlawful.

No person shall assume or use the title or designation "certified public accountant," the abbreviation "C.P.A." or any other title, designation, words, letters, abbreviation, sign, card, or device tending to indicate that the person is a certified public accountant, unless the person has received a certificate as a certified public accountant under Section 34-1-4 and if in public practice, holds a permit issued under Section 34-1-11, which is not revoked or suspended, hereinafter referred to as a live permit, and all of the offices of the person in this state for the practice of public accounting are maintained and registered as required under Section 34-1-10; provided, however:

(1) A foreign accountant who has registered under Section 34-1-5 and who holds a live permit issued under Section 34-1-11 may use the title under which he or she is generally known in his or her country, followed by the name of the country from which the certificate, license, or degree was received.

(2) No firm shall provide attest services or assume or use the title or designation "certified public accountants" or the abbreviation "CPA's" or any other title, designation, words, letters, signs, abbreviation, card, or device tending to indicate that the firm is composed of certified public accountants, unless the firm is registered as a firm of certified public accountants under Section 34-1-6, holds a live permit issued under Section 34-1-11, and all of the offices of the firm in this state for the practice of public accounting are maintained and registered as required under Section 34-1-10, and ownership of the firm is in accord with this chapter and rules promulgated by the board.

(3) No person shall assume or use the title or designation "public accountant," the abbreviation thereof, or any other title, designation, words, letters, abbreviation, sign, card, or device tending to indicate that the person is a public accountant, unless the person is registered as a public accountant under Section 34-1-8, holds a live permit issued under Section 34-1-11, and all of the offices of the person in this state for the practice of public accounting are maintained and registered as required under Section 34-1-10 or unless the person has received a certificate as a certified public accountant under Section 34-1-4, holds a live permit issued under Section 34-1-11, and all of the offices of the person in this state for the practice of public accounting are maintained and registered as required under Section 34-1-10.

(4) No firm shall provide attest services or assume or use the title or designation "public accountant" or any other title, designation, words, letters, abbreviation, sign, card, or device tending to indicate that the firm is composed of public accountants, unless the firm is registered as a firm of public accountants under Section 34-1-9, or as a firm of certified public accountants under Section 34-1-5, holds a live permit issued under Section 34-1-11, and all of the offices of the firm in this state for the practice of public accounting are maintained and registered as required under Section 34-1-10.

(5) No person or firm shall assume or use the title or designation "accredited accountant," "certified accountant," "chartered accountant," "enrolled accountant," "licensed accountant," "registered accountant," or any other title or designation likely

to be confused with "certified public accountant" or "public accountant," or any of the abbreviations "AA," "CA," "LA," "RA," or similar abbreviations likely to be confused with "CPA" or "PA." The title "enrolled agent" or "EA" may be used by only individuals so designated by the Internal Revenue Service. Notwithstanding the foregoing, any person who holds a live permit issued under Section 34-1-11, and all of whose offices in this state for the practice of public accounting are maintained and registered as required under Section 34-1-10, may hold himself or herself out to the public as an "accountant" or "auditor." A foreign accountant registered under Section 34-1-5 who holds a live permit issued under Section 34-1-11 and all of whose offices in this state for the practice of public accounting are maintained and registered as required under Section 34-1-10 may use the title under which he or she is generally known in his or her country, followed by the name of the country from which he or she received the certificate, license, or degree.

(6) No person shall sign or affix his or her name or any trade or assumed name used in the person's profession or business, with any wording indicating that he or she has expert knowledge in accounting or auditing, to any opinion or certificate attesting in any way to the reliability of any representation or estimate in regard to any person or organization embracing financial information or facts respecting compliance with conditions established by law or contract, including but not limited to statutes, ordinances, regulations, grants, loans, and appropriations, unless he or she holds a live permit issued under Section 34-1-11, and all of the offices in this state for the practice of public accounting are maintained and registered under Section 34-1-10. Notwithstanding the foregoing, this subdivision shall not prohibit any officer, employee, partner, or principal of any organization from affixing his or her signature to any statement or report in reference to the financial affairs of the organization with any wording designating the position, title, or office which he or she holds in the organization, nor shall this subdivision prohibit any act of a public official or public employee in the performance of their duties.

(7) No person shall sign or affix the name of the firm, with any wording indicating that it is a firm composed of accountants or auditors or persons having expert knowledge in accounting or auditing, to any opinion or certificate attesting in any way to the reliability of any representation or estimate in regard to any person or organization embracing financial information or facts respecting compliance with conditions established by law or contract, including but not limited to statutes, ordinances, regulations, grants, loans, and appropriations, unless the firm holds a live permit issued under Section 34-1-11, and all of its offices in this state for the practice of public accounting are maintained and registered as required under Section 34-1-10.

(8) No person shall assume or use the title or designation "certified public accountant" or "public accountant" in conjunction with names indicating or implying that there is a firm, in conjunction with the designation "and company" and "and co." or a similar designation if there is in fact no bona fide firm registered under Section 34-1-6 or Section 34-1-9. No person holding a certificate or registration or firm holding a permit under this chapter shall use a professional or firm name or designation that is misleading about the legal form of the firm, or about the persons who are partners, officers, members, managers, or shareholders of the firm, or about any other matter. This section shall not prevent a firm or its successors from

continuing to practice under a firm name which consists of or includes the name or names of one or more former owners.

(9) Only licensees holding a valid permit to practice may issue a report on financial statements of any other person, firm, organization, or governmental unit or otherwise offer to render any attest service, as defined herein. This restriction does not prohibit any act of a public official or public employee in the performance of that person's duties as such; or prohibit the performance by any person of other services involving the use of accounting skills, including the preparation of tax returns, management advisory services, and the preparation of financial statements without the issuance of reports thereon. This restriction also does not apply to nonlicensees, who may prepare financial statements and issue reports thereon which do not purport to be in compliance with the Statements on Standards for Accounting and Review Services (SSARS).

(10) Licensees performing attest or compilation services must provide those services in accordance with professional standards.

(11) Nonlicensees may not use language in any statement relating to the financial affairs of a person or entity which is conventionally used by licensees in reports on financial statements. In this regard, the board shall issue, by rule, safe harbor language nonlicensees may use in connection with such financial information. Notwithstanding the foregoing, nonlicensees may use the following disclaimer language in connection with financial statements to not be in violation of this chapter:

"I (We) have prepared the accompanying (financial statements) of (name of entity) as of (time period) for the (period) then ended. This presentation is limited to preparing in the form of financial statements information that is the representation of management (owners).

"I (We) have not audited or reviewed the accompanying financial statements and accordingly do not express an opinion or any other form of assurance on them."

(12) No holder of a certificate issued under Section 34-1-4 or a registration issued under Section 34-1-8 shall perform attest services in any firm that does not hold a valid permit to practice issued under Section 34-1-11.

(13) No individual licensee shall issue a report in standard form upon a compilation of financial information through any form of business that does not hold a valid permit issued under Section 34-1-11 unless the report discloses the name of the business through which the individual is issuing the report, and the individual:

a. Signs the compilation report identifying the individual as a certified public accountant or public accountant.

b. Undergoes no less frequently than once every three years, a peer review conducted in such manner as the board shall by rule specify.

(14) Nothing herein shall prohibit a practicing attorney or firm of attorneys from preparing or presenting records or documents customarily prepared by an attorney or firm of attorneys in connection with the attorney's professional work in the practice of law.

(Acts 1973, No. 997, p. 1510, § 15; Acts 1995, No. 95-516, p. 1038, § 1; Act 2003-393, p. 1114, § 1.)

§ 34-1-17. Acts not prohibited.

(a) Nothing contained in this chapter shall prohibit any person not a certified public accountant or public accountant from serving as an employee of, or an assistant to, a certified public accountant, a public accountant, or a firm composed of certified public accountants or public accountants holding a permit to practice issued under Section 34-1-11; or a foreign accountant registered under Section 34-1-5; provided, that the employee or assistant shall not issue any accounting or financial statements over his or her name.

(b) Nothing contained in this chapter shall prohibit a certified public accountant of another state, or an accountant who holds a certificate, license, or degree in a foreign country, constituting a recognized qualification for the practice of public accounting in the country, from temporarily practicing in this state on professional business incident to his or her regular practice outside this state and the temporary practice is conducted in conformity with Section 34-1-7 and the regulations and rules of professional conduct promulgated by the board.

(Acts 1973, No. 997, p. 1510, § 16; Acts 1995, No. 95-516, p. 1038, § 1.)

§ 34-1-18. Injunctions against unlawful acts.

Whenever it appears to the board that any person has engaged, or is about to engage, in any acts or practices which constitute or will constitute a violation of Section 34-1-16, the board may in its own name bring action in an appropriate court for an order enjoining such acts or practices, and upon a showing by the board that such person has engaged, or is about to engage, in any such acts or practices, an injunction, restraining order or such other order as may be appropriate may be granted by such court without bond; and, such proceeding may be maintained regardless of whether proceedings have been or may be instituted before the board, or whether criminal proceedings have been or may be instituted.

(Acts 1973, No. 997, p. 1510, § 17.)

§ 34-1-19. Misdemeanors; penalties.

Any person who violates any provision of Section 34-1-16 shall be guilty of a misdemeanor and, upon conviction thereof, shall be fined not more than \$500.00, and may also be imprisoned in the county jail, or sentenced to hard labor for the county for not more than 12 months.

(Acts 1973, No. 997, p. 1510, § 18.)

§ 34-1-20. Evidence of unlawful practice.

The display or uttering by a person of a card, sign, advertisement or other printed, engraved or written instrument or device, bearing a person's name in conjunction with the words "certified public accountant" or any abbreviation thereof, or "public accountant" or any abbreviation thereof, shall be prima facie evidence in any action brought under Section 34-1-18 or 34-1-19 that the person whose name is so displayed caused or procured the display or uttering of such card, sign, advertisement or other printed, engraved or written instrument or device, and that such person is holding himself out to be a certified public accountant or a public accountant holding a permit to practice under

Section 34-1-11. In any such action, evidence of the commission of a single act prohibited by this chapter shall be sufficient to justify an injunction or a conviction without evidence of a general course of conduct.

(Acts 1973, No. 997, p. 1510, § 19.)

§ 34-1-21. Ownership of accountants' working papers.

(a) All statements, records, schedules, working papers, and memoranda made by a certified public accountant or public accountant incident to or in the course of professional service to clients by the accountant, except reports submitted by a certified public accountant or public accountant to a client, shall be and remain the property of the accountant, in the absence of an express written agreement between the accountant and the client to the contrary. No statement, record, schedule, working paper, or memorandum shall be sold, transferred, or bequeathed, without the consent of the client or the personal representative or assignee of the client, to anyone other than one or more surviving owners or new owners of the firm of the accountant. All statements, records, schedules, working papers, or memoranda prepared by a certified public accountant or public accountant in the performance of a practice monitoring program or peer review, conducted by the board shall be and become the property of the board immediately upon preparation or compilation, and shall be remitted to the board promptly upon completion of the review. The board may retain, archive, or destroy all or any portion of same. The information shall be deemed confidential. Notwithstanding the foregoing, nothing in this section shall be construed as prohibiting the disclosure of information required to be disclosed by the standards of the public accounting profession in effect from time to time with respect to reporting on the examination of financial statements or as prohibiting the disclosure in court proceedings, in investigations or proceedings conducted by the board or the designees of the board, or in ethical investigations conducted by private professional organizations. In addition, nothing in this section shall be construed as prohibiting any temporary transfer of workpapers or other material necessary in the course of carrying out peer reviews.

(b) A licensee shall furnish to a client or former client, upon request and reasonable notice:

(1) A copy of the licensee's working papers, to the extent that such working papers include records that would ordinarily constitute part of the client's records and are not otherwise available to the client.

(2) Any accounting or other records belonging to, or obtained from or on behalf of, the client that the licensee removed from the client's premises or received for the client's account; the licensee may make and retain copies of such documents of the client when they form the basis for work done by the licensee.

(Acts 1973, No. 997, p. 1510, § 20; Acts 1995, No. 95-516, p. 1038, § 1; Act 2003-393, p. 1114, § 1.)

§ 34-1-22. Disposition of fees and charges; disbursements.

All fees and charges provided for in this chapter shall be paid to the board and, upon collection thereof, shall be deposited in the State Treasury to the credit of the Alabama State Board of Public Accountancy, except for the examination fees collected by the

board's designee as provided for in Section 34-1-4. The State Treasurer shall keep all moneys in a separate fund to be known as "Fund of the Alabama State Board of Public Accountancy," which fund shall be expended and drawn against solely for the purposes of this chapter as herein provided. For the purpose of carrying out the objects of this chapter and for the exercise of the powers herein granted, the board shall have the power to direct the disbursement of the fund. All compensation, expenses and charges incurred for the purposes of this chapter shall be paid from the fund and shall be paid on warrant of the state Comptroller upon certificate or voucher of the treasurer of the board, and of such separate fund such sums as are necessary are hereby appropriated. No compensation, expenses or charges incurred under this chapter shall be a charge against the general funds of this state, and no part of the special fund herein provided shall revert to the general funds of the state. Fees and charges provided for in this chapter shall be in addition to any licenses which are now or may hereafter be levied on behalf of the state or any political subdivision thereof.

(Acts 1973, No. 997, p. 1510, § 22; Act 2003-393, p. 1114, § 1.)

Board Members



J. Lamar Harris, CPA
Executive Director

ALABAMA STATE BOARD OF PUBLIC ACCOUNTANCY

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Fax: 334/242-2711
www.asbpa.alabama.gov

Mailing Address:
P. O. Box 300375
Montgomery, AL 36130-0375

March 26, 2007

Ms. Emily Christine Parish
Examiner of Public Accounts
P.O. Box 302251
Montgomery, Alabama 36130-2251

Dear Ms. Parish:

This is in response to Question No. 1 on Attachment A of your letter dated March 9, 2007 regarding the routine legal compliance examination of the Alabama State Board of Public Accountancy for the period October 1, 2004 through September 30, 2006.

Question No.1 on Attachment A of your letter lists several items you want us to furnish. Listed below are the requested items:

1. *A letter which lists the name, position, mailing address, expiration of term, and date of appointment of each current Board member and the agency head – signed by the agency head.*

CURRENT BOARD MEMBERS AND AGENCY HEAD:

David E. Scott, CPA, Chair	Appointed: 10-15-03
Tucker Scott & Wates, LLC	Term Begins: 10-01-03
P.O. Box 1130	Term Expires: 09-30-07
Decatur, AL 35602-1130	Senate Conf.: 02-10-04
(256) 355-1828	
Offices Held: Vice Chair 11-08-05 to 11-06-06	
Chair 11-06-06 to 11-05-07	
David P. Kassouf, CPA, Vice Chair	Appointed: 09-29-00 / 10-07-04
L. Paul Kassouf & Co., PC	Term Begins: 10-01-00 / 10-01-04
2208 University Boulevard	Term Expires: 09-30-04 / 09-30-08
Birmingham, AL 35233-2393	Senate Conf.: 02-13-01 / 02-24-05
(205) 443-2500	
Offices Held: Vice Chair 05-07-02 to 11-04-03	
Chair 11-04-03 to 11-04-04	
Vice Chair 11-06-06 to 11-05-07	

Ms. Emily Christine Parish
March 26, 2007
Page Two

John G. D. Carden, CPA, Secretary
P.O. Box 722
Point Clear, AL 36564-0722
(251) 928-9664
Offices Held: Secretary-Treasurer 11-06-01 to 11-05-02
Chair 11-05-02 to 11-04-03
Secretary 11-08-05 to 11-05-07

Appointed: 01-24-00 / 10-15-03
Term Begins: 10-01-99 / 10-01-03
Term Expires: 09-30-03 / 09-30-07
Senate Conf.: 04-20-00 / 02-10-04

Phyllis S. Ingram, CPA, Member
Carr Riggs & Ingram LLC
7550 Halcyon Summit Drive
Montgomery, AL 36117
(334) 271-6678
Offices Held: Vice Chair 11-04-03 to 11-04-04
Chair 11-04-04 to 11-08-05

Appointed: 10-22-01 / 10-06-05
Term Begins: 10-01-01 / 10-01-05
Term Expires: 09-30-05 / 09-30-09
Senate Conf.: 04-11-02 / 01-26-06

John C. Patterson, PA, Member
P.O. Box 965
Calera, AL 35040-0965
(205) 668-0101
Offices Held: Secretary-Treasurer 11-05-02 to 11-04-03
Secretary 11-04-03 to 11-08-05

Appointed: 08-15-01
Term Begins: 10-01-01
Term Expires: 09-30-05
Senate Conf.: 04-11-02

C. Kent Quinn, CPA, Member
Wear Howell Strickland Quinn & Law LLC
1323 Stratford Road SE
Decatur, AL 35601
(256) 353-8902
Offices Held: Vice Chair 11-04-04 to 11-08-05
Chair 11-08-05 to 11-06-06

Appointed: 04-23-03
Term Begins: 10-01-02
Term Expires: 09-30-06
Senate Conf.: 06-10-03

J. Lamar Harris, CPA, Executive Director
Alabama State Board of Public Accountancy
P.O. Box 300375
Montgomery, AL 36130-0375
(334) 242-5709

Appointed: August 31, 1996
Term Expires: Indefinite

Ms. Emily Christine Parish
March 26, 2007
Page Three

NEW BOARD MEMBER APPOINTMENT PENDING SENATE CONFIRMATION:
(Upon confirmation by the Senate this appointee will replace C. Kent Quinn, CPA)

Kenneth R. Odom, CPA
Rabren & Odom, PC
1600 MLK, Jr. Expressway
Andalusia, AL 36420-3414
(334) 222-4101
Offices Held: None

Appointed: 12-22-06
Term Begins: 10-01-06
Term Expires: 09-30-10
Senate Conf.: Pending

If you have any questions, please call me at 242-5700.

Sincerely,

Confirmed in 2007
Legislative Session



J. Lamar Harris, CPA
Executive Director

JLH/C:\AUDITER2006.DOC

Agency Response to Significant Items



J. Lamar Harris, CPA
Executive Director

ALABAMA STATE BOARD OF PUBLIC ACCOUNTANCY

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June 26, 2007

Mr. John E. Norris
Director, Operational Division
Examiners of Public Accounts
P.O. Box 302251
Montgomery, AL 36130-2251

Dear Mr. Norris:

This is in response to your letter dated June 12, 2007 requesting responses to significant items that will appear in your report to the Sunset Committee scheduled for issuance in July 2007 regarding the operations of this Board.

The significant items and our responses are as follows:

SUNSET EXAMINATION Report Scheduled for Issuance July 2007

SIGNIFICANT ITEMS AND BOARD RESPONSES

Significant Item No. 1

Four of five responding board members responding to a questionnaire stated that the board is not adequately staffed. Responses indicate that the board needs more personnel involved in the complaint/discipline process. According to information provided by the board, complaints are not always immediately addressed upon receipt. Analysis of dates of receipt and dates of complainant notification show that the average time from receipt of complaint to acknowledgement is 49 days.

Board Response

The board currently has a vacant part-time board consultant position that is assigned primarily to assist in the board's complaint/discipline process. This position became vacant due to retirement of the previous incumbent. A well qualified potential candidate for the position

Mr. John E. Norris
June 26, 2007
Page Two

was considered but the candidate elected to remain in retired status. The search to fill this position continues. In recent years, disciplinary issues have been expanding in number and complexity causing us to rearrange duties in the board office and assign investigator duties to an existing employee as a significant portion of her duties. This has helped but more personnel may be needed in the future such as a full-time investigator and as the case load grows maybe even a full-time board attorney.

Significant Item No. 2

Seven of fifty-seven firms responding to a questionnaire mentioned the lack of talent, lack of accounting graduates or new CPAs, staff retention, and personnel shortages as a significant issue facing the profession. Five of forty-four responding licensees also considered this a significant issue. In professional magazine articles, survey responses indicate that staffing is a major issue globally. The American Institute of Certified Public Accountants indicated that nearly 75% of its members are reaching retirement age, while the increase of accounting students nationally has only increased 19% from 2000 to 2004. The shortage comes at a time when demands for the services are increasing spurred by increased financial accounting controls. The U.S. Department of Labor's "2006-2007 occupational Outlook Handbook" indicates the profession will continue to experience much growth through at least 2014.

Board Response

It is our understanding from our involvement in national accounting organizations that the demand for new accountants with CPA potential is strong at this time. Also, we understand that college and university business schools are currently experiencing significant growth in the number of students selecting accounting as their major course of study. A good thing that has come out of the recent accounting debacles is a renewed interest by students in accounting for a career. The board has been involved in promoting the profession publicly by the executive director and chief fiscal officer making presentations to professional meetings and students at college and universities upon invitation. We are also aware that the Alabama Society of CPAs has an ongoing program whereby CPA volunteers make presentations to students in high schools, community colleges, and universities to promote the profession.

Significant Item No. 3

The Code of Alabama 1975, Section 34-1-4(a)(1) requires that the board issue certificates only to a person, "Who is a citizen of the United States or has duly declared his or her intent to become a citizen." This provision may be unconstitutional. The United States Supreme Court has ruled that it is unconstitutional to refuse professional licensing based solely upon lack of United States citizenship. See Virginia v Friedman, 487 U.S.59 (1988), Examining

Mr. John E. Norris
June 26, 2007
Page Three

Board v Flores de Otero, 428 U.S.572 (1976), In Re Griffiths, 413 U.S.717 (1973). Opinions of the Attorney General No. 83-010 and 95-092 also address this issue.

Board Response

The citizenship requirement in the board's statute has not been declared unconstitutional to our knowledge. We will have to continue to follow the statute until it is struck down by a court of competent jurisdiction or amended by the Legislature. We reviewed our records of the past 10 years and could not find where we denied an applicant based on the citizenship requirement. We did find several applicants that were not U.S. citizens that we approved based on him or her declaring their intent to become a U.S. citizen. To date, this U.S. citizenship requirement has not been a significant issue for us.

STATUS OF PRIOR FINDINGS AND BOARD RESPONSE

All prior findings have been resolved, except the following significant items from the 2004 Sunset review.

Prior Finding No. 1

The public (non-licensed) position on the board has not been filled since the position was created in 1995. Act 95-516 provides for the position to be filled by a member of the public who must not be actively licensed by the board and who must be an active and reputable member of the Alabama business community who must possess a knowledge and understanding of financial transactions and financial statements. Act 2003-393, effective October 1, 2003, requires that the Alabama Society of Certified Public Accountants (ASCPA) nominate candidates for appointment to the public member position. The act also allows the board to nominate candidates if the ASCPA is unable to do so.

Current Status – The position remains unfilled and un-nominated. The examiner discussed the issue with the executive director. The executive director stated that the board had not considered nominating candidates.

Board Response

We concur with the facts outlined above in prior finding no. 1. It is our understanding that the ASCPA has had difficulty in finding qualified candidates for this volunteer public member position that were willing to serve. The ASCPA leadership advised us verbally on June 18, 2007 that they have identified some potential candidates for this public member position and

Mr. John E. Norris

June 26, 2007

Page Four

their goal is to submit a list of candidates to Governor Riley for appointment to the public member position by the fall of 2007. Based on our experience to date, we believe Governor Riley will make an appointment from the recommendations that will be sent to him.

This response has been circulated to all board members for their input and represents a board consensus response. If you have any questions, please let me know.

Sincerely,

A handwritten signature in black ink that reads "J. Lamar Harris". The signature is written in a cursive, flowing style.

J. Lamar Harris, CPA
Executive Director